

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type [ X ] City [ ] Township [ ] Village [ ] Other		Local Government Name City of Lansing		County Ingham	
Audit Date 6/30/05		Opinion Date 11/9/05		Date Accountant Report Submitted to State: 12/21/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

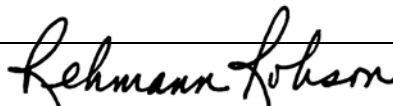
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |       |     |       |    |    |  |
|-------|-----|-------|----|----|--|
| [ ]   | Yes | [ x ] | No | 1. | Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| [ x ] | Yes | [ ]   | No | 2. | There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| [ x ] | Yes | [ ]   | No | 3. | There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| [ ]   | Yes | [ x ] | No | 4. | The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| [ ]   | Yes | [ x ] | No | 5. | The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| [ ]   | Yes | [ x ] | No | 6. | The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| [ ]   | Yes | [ x ] | No | 7. | The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| [ ]   | Yes | [ x ] | No | 8. | The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| [ ]   | Yes | [ x ] | No | 9. | The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA				
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI	Zip 48605
Accountant Signature 			Date 12/21/05	

# CITY OF LANSING

## 2005 Comprehensive Annual Financial Report

FOR  
FISCAL YEAR ENDED JUNE 30, 2005



TONY BENAVIDES, **Mayor**  
GLENN KIRK, *Director of Finance*

Prepared by:  
Department of Finance

# **LANSING CITY GOVERNMENT**

2005

## **MAYOR**

TONY BENAVIDES

## **CLERK**

DEBBIE MINER

## **DISTRICT COURT JUDGES**

PATRICK F. CHERRY

CHARLES F. FILICE

AMY KRAUSE

FRANK J. DELUCA

LOUISE ALDERSON

## **AT LARGE**

JOAN BAUER  
LARRY MEYER  
BRIAN JEFFRIES  
CAROL WOOD

## **CITY COUNCIL**

## **BY WARDS**

HAROLD LEEMAN – 1<sup>st</sup> Ward  
SANDRA ALLEN – 2<sup>nd</sup> Ward  
RANDY WILLIAMS – 3<sup>rd</sup> Ward  
GENEVA SMITH – 4<sup>th</sup> Ward

## **OFFICERS**

City Assessor.....	David Tijerina
City Attorney .....	Paul Novak
Acting City Treasurer .....	Jill Rhode
Executive Assistant to the Mayor.....	David M. Wiener
Finance, Director of .....	Glenn Kirk
Fire Chief .....	Gregory Martin
Human Relations & Community Services, Director of .....	Willard K. Walker
Internal Auditor .....	Gregory J. Koessel
Management Services, Interim Director of.....	Marty Riel
Parks & Recreation, Director of .....	Murdock Jemerson
Personnel, Director of.....	Nancy Cunningham
Planning & Neighborhood Development, Director of .....	James A. Ruff
Police Chief .....	Mark Alley
Public Service, Director of .....	David A. Berridge

# INTRODUCTORY SECTION

# City of Lansing, Michigan

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## FINANCE DEPARTMENT

831 City Hall, 124 W. Michigan Ave.  
Lansing, Michigan 48933  
(517) 483-4500

Tony Benavides, Mayor

Council President Sandy Allen  
and Council Members  
10th Floor City Hall  
Lansing, Michigan 48933-1694

Dear President Allen and Council Members:

We are pleased to submit the comprehensive annual financial report of the City of Lansing, Michigan for the fiscal year ended June 30, 2005. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the government-wide financial statements and of the various funds of the City. This management assurance is supported by a comprehensive system of internal controls designed to reasonably ensure that assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of these financial statements in conformity with generally accepted accounting principles. Such controls include appropriate policies and procedures, ongoing risk assessment, and monitoring and review processes which are communicated throughout City operations. Disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This letter of transmittal is designed to complement the Management Discussion and Analysis and should be read in conjunction with it. The Management Discussion and Analysis can be found immediately following the Independent Auditor Report

The financial reporting entity (the City) includes all of the funds of the primary government (i.e., the City as legally defined), as well as its blended component units. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. The Lansing Building Authority is a blended component unit. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Lansing Entertainment & Public Facilities Authority, Tax Increment Finance Authority, and the Brownfield Redevelopment Authority are reported as discretely presented component units.

The City provides a full range of services, including police and fire protection; sanitation services; the construction and maintenance of highways, streets, sewers, and infrastructure; recreational activities and support for human services and cultural events.

"Equal Opportunity Employer"



Serving as Michigan's capital since 1848, Lansing was incorporated in 1859 and operates under provisions of Public Act 279 of 1909, as amended (the "Home Rule City Act"). The City is located in the lower middle of Michigan's Lower Peninsula and operates under a strong Mayor form of government established by 1978 Charter revision. It is a mature core City with a population of 119,286 according to revised 2000 Census figures.

### **ECONOMIC CONDITION AND OUTLOOK**

Over the past decade, Lansing has been the number one passenger car assembly site in North America-the "Car Capital". Through regional economic development efforts and incentives, we are seeking to secure this position with 2001 construction of the General Motors (GM) Grand River Assembly Plant, a new GM stamping plant, and ongoing construction of the new GM Lansing Delta Assembly Plant. These new high technology manufacturing centers are considered industry models, replacing facilities with roots that are more than 100 years old and helping to secure Lansing's employment and economic base well into the new century. Enhancing economic and employment prospects, as well as GM's competitive position, Lansing continues to work with the Company and neighboring Delta Township to attract and house secondary and tertiary sequencing suppliers.

Unlike many other capital goods manufacturing centers, Lansing's economy is multi-faceted, helping to shield the area from some of the more pervasive cyclical trends associated with a strictly manufacturing based economy. As the State Capitol, by Constitution, the principle offices of all State Departments must be located in Lansing. State government has partnered with Lansing on numerous economic development projects, attracting attendant associations and vendors seeking to do business with the State. Lansing is adjacent to Michigan State University, a land grant institution with a community service mission, and the largest of the "Big Ten" Universities. Two Lansing hospitals, employing more than 8,000 people, have emerged as regional health care centers and both are rated among the top hospitals in the country in several medical specialties. Indicative of the stability of Lansing's regional economy, the annualized unemployment level for fiscal year 2004/2005 was 6.1% compared to Michigan's annualized statewide unemployment rate of 7.2%.

In 2005, General Motors announced it would be closing its Lansing Car Assembly plant. While the plant closing was anticipated, it came six months earlier than expected. The plant closing is considered, however, to be a short lived set-back, as many of the displaced employees are expected to transfer to the new General Motors Delta Township Plant, in which the City has an agreement allowing it to capture a portion of property and income taxes for that site despite it being outside the city limits, in early 2006.

**Economic Development:** Lansing makes strategic use of a "toolbox" of development and redevelopment incentives and partnerships, and is continuing a decade of success in attracting investment and reinvestment in industrial, commercial and housing sectors. Major ongoing projects include:

#### **Downtown:**

**-Boji Development.** This project is now nearing completion and provides 100,000 square feet of privately owned office space near the State Capitol. The State of Michigan is relocating some 700 employees to Lansing's downtown area, including a portion of this facility.

Through its Building Authority, the City issued \$19 million in bonds for an adjacent 1,230 space parking ramp. The developer and nearby businesses will guarantee lease for most spaces for the 25 year life of these bonds. Bonds were issued in taxable and non-taxable series and were rated Aaa from Moody's Investor Services and AAA by Standard and Poors Corporation. The City commitment is conservatively expected to be self-funding, with new property tax revenue accruing to the City's Tax Increment Finance Authority (TIFA), once relatively minor Brownfields restoration (See "Prudden Development" below) commitments are met. A Core Communities Initiative grant and loan from the State is assisting with this project.

**-Ottawa Power Station Project.** The City, numerous State Departments, and the Board of Water and Light have been strategically packaging a Request for Proposals to a broad list of developers, both locally and nationally, for the complete rehabilitation of Lansing's well known Ottawa Street Power Station.

**-Majority Restaurant.** Adjacent to the State Capitol located on the first level of the new Capital View building, the Majority opened in May 2005 as an upscale, fine-dining restaurant with eclectic, urban decor. Private sector investment is \$600,000 with an additional \$350,000 low-interest loan made available with the EDC's Business Financing Assistance Loan Program.

**-Troppos Restaurant.** An upscale urban-style restaurant employing 50-60 people, located in the downtown area. Total private sector investment was \$500,000, and was combined with grant and loan incentive programs totaling \$313,500.

**-Radisson Hotel.** After twenty years, the 168 room first class Radisson Hotel has not been profitable, even though the Lansing community has reaped significant tax and multiplier economic benefit from its presence. With a federal Urban Development Action Grant and its interest maturing, the parties worked for more than a year to negotiate an arrangement that would provide for the hotel to repurchase the outstanding debt from the Lansing EDC at its recognized present value.

**-Arbaugh Project.** Rehabilitation of a former downtown department store has developed 48 high quality loft apartments on the upper floors, commercial space on the first floor, and underground parking. Total private investment is \$7 million.

**-Printer's Row.** Development is under way for 12 Chicago-style row houses in the city's urban core along Grand Avenue, and 5 Victorian-style condominiums on St. Joseph Street.

**-Stadium District Proposal.** A \$12.3 million development has been proposed across from the Oldsmobile Stadium. It will include 36 market rate loft units, 18 for sale condominium units, anchored with approximately 25,000 square feet of retail space on the first floor.

**-Lugnuts.** With a new agreement with the Single A Lugnuts baseball team, the City has ensured that Oldsmobile Stadium will continue offering quality baseball games through 2020.

**-402 S Washington Square.** 3 lofts on the second floor of the old Marshall Music Store, and build-out for commercial space on the first floor. Total private investment is estimated at \$400,000.

**-206 S Washington Square.** 2-3 lofts on the second floor and renovation of the first floor commercial space for a restaurant. Total private investment of \$420,000.

**-117 E Kalamazoo.** Converting two aging apartments into one large loft unit. Total private investment of \$54,000.

**-208 S Washington Square.** An 1891 historical building by Darius Moon is being rehabilitated to its original condition as office space utilizing historic preservation tax credits and a Façade Improvement grant. Estimated costs are to be determined.

### **Old Town:**

**-Pruess Animal House.** A unique pet and pet supply store is moving to Old Town in to the former Jack's Automotive building. Private investment will be \$675,000.

### **Other:**

**-Prudden Development.** As a core City, Lansing's growth has been restricted by the lack of significant parcels of undeveloped land, and by the higher costs associated with restoration of obsolete sites ("brownfields"). Public Act 381 of 1996 provides for the capture of increased tax value from redevelopment of brownfield sites to reimburse developers for costs associated with such restoration, and Lansing is making extensive use of this redevelopment tool. In 1998, the City, in partnership with a private developer, received a Michigan Transportation Economic Development grant for new road service to an abandoned factory facility (Prudden-Motor Wheel) on the City's Northeast side. The City leased a portion of this facility to serve as a North Police Precinct which was intended to act as a linchpin to a major redevelopment effort. A significant local engineering and consulting firm, and elements of Lockheed-Martin Corporation relocated to the site.

With the success of the first phase of this development, construction is proceeding on renovation of a four story factory building on the site to 110 loft style apartments at an approximate cost to developers of \$1.32 million. The project also includes 120 new luxury rental units on the site at an investment of \$8.2 million, and a further 60,000 square foot office development represents an investment of \$2.5 million. The City is providing for brownfields recapture under P. A. 381 for these projects. The State of Michigan is providing credits against its Single Business Tax (SBT) to assist the project.

**-East Village Development.** A 25 acre site which was formerly the State of Michigan's Boys Training School was purchased by the City, and subsequently sold to developers which is now constructing six 12 unit buildings, three 6 unit attached dwelling buildings, and seven single family homes. Representing some \$25 million in private development, the project is assisted by a brownfield recapture agreement for environmental and site utility costs. The City, through the Lansing Brownfield's Redevelopment Authority (LBRA), issued \$2,225,000 in bonds to support this project in August, 2004.

**-GM Lansing Delta Assembly Plant.** Construction is now underway and expected to be completed for production by the Spring of 2006. This project is facilitated by an unprecedented intergovernmental agreement between Lansing and adjacent Delta Township under Michigan Public Act 425. The agreement conditionally transferred 1000 acres from Delta Township to the City for twenty-five years, with optional renewal, and provides for sharing of property tax revenue and services. All income tax revenue will accrue to Lansing, while property taxes will be split between the two entities. Subsequent to the agreement, Lansing provided real property tax abatement of 50% of the cost of plant construction, and 100% of new plant equipment under

Michigan Public Acts 198 and 328. Offsetting these abatements, GM agreed to pay an Infrastructure Recovery and Service payment to the City. It should be noted, that the facility under construction and the new stamping plant which has already been completed at the site utilize only about 300 acres, leaving significant space for future expansion.

**-Neogen.** Ingham County assisted the City of Lansing in securing a \$500,000 CDBG Loan from the state to cover the costs of new high tech machinery for Neogen's most recent expansion project.

**-Melling Forge.** DJV Properties has purchased the former forge building and is spending \$1,500,000 to redevelop. Projected to create 110 jobs.

**-Plastech.** A PA 425 agreement with Delta Township will allow the City and Township to partner on the attraction of a third GM supplier to the former Plant 5 property in Delta Township. Plastech has projected an investment of \$17.5 million and proposes to create 175 new jobs.

**-Bioport.** The City and Michigan EDC are negotiating an incentive package to encourage the company to build a \$75,000,000 vaccine production facility on their Lansing campus.

#### **Lansing School District:**

The Lansing School district continues with their right-sizing efforts. They still have more facility square footage than is needed for the current student population. The school district continues to consolidate buildings and is closing older buildings.

Lansing School District will be opening their first new school building in the 2006/2007 school year. This building is the replacement for the Pattengill Middle School. The school district is also continuing projects that were approved by the voters in 2003. These projects include upgrades to Gardner, Otto, and Rich Middle Schools. There are also renovations that have been or continue to be made to the Sexton and Everett High Schools' football stadium and fields. There are new science and computer labs, as well as, media centers that will be remodeled at Eastern, Everett and Sexton High Schools.

Despite significant economic development success, like much of the industrial Midwest, Lansing experienced continued challenges in FY 2004. Such challenges were largely attributable to the slow pace of economic recovery elsewhere in Michigan, and State government's responses to resulting revenue shortfalls, both in terms of its own employment levels and in the reductions in revenue sharing with municipalities. Despite significantly lower-than-expected revenue receipts in fiscal year 2005, through prudent fiscal management and a switch to self-funded health care, the City's General Fund ended the year using \$352,000 less in reserves than it had originally budgeted, before the revenue shortfalls were known.

Like many other urban cities in Michigan, the City is faced with rising healthcare, pension, and labor costs outpacing the growth in its primary General Fund revenue sources. To maintain its financial strength the City has engaged employees and Directors within its principal departments in a broad strategic effort to resolve structural issues. It has identified and is implementing significant budgetary changes, both in revenue and expenditures over the next several years, beginning with significant labor force reductions in fiscal year 2006.

Among other significant financial policies, the City has established a retiree healthcare prefunding plan for non-police and fire employees beginning employment after 1990. In addition, the City has begun funding for both police and fire employees, and those members of the Employees Retirement System who began employment prior to 1990 through the respective pension systems. While high health care premium increases and revenue shortfall precluded voluntary excess contributions in FY 2004, the City has continued to make those contractual and actuarial contributions, with a view that such funding will greatly contribute to long term financial stability. A revised actuarial study is underway to determine future funding needs. Regarding the City's two defined benefit retirement plans, the Police and Fire Retirement System is 103.8% funded and the Employees Retirement System is 89.1% funded as of December 31, 2003. This reflects the Pension Funded Ratio of Actuarial Accrued Liability method of measuring the systems' progress in accumulating benefits when done.

#### **OTHER INFORMATION:**

**Budgeting Controls.** The objective of the City's budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. The City also maintains an encumbrance accounting system, whereby purchase order amounts are deducted from the available budget, as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end and require Council approval to be carried forward to the ensuing fiscal year for amounts greater than \$5,000 or greater than eight months old. The budget is adopted at the activity level within each department.

**Risk Management.** The City carries all-risk coverage on all real and personal property and contents. The total coverage is \$200 million with a \$25,000 deductible. Workers Compensation is self insured with excess reinsurance coverage for claims exceeding \$500,000 from the State Accident Fund. The City carries liability coverage in the amount of \$16 million per occurrence.

**Independent Audit.** State statutes require an annual audit by independent certified public accountants. The accounting firm of Rehmann Robson, was selected by the City's Audit Committee. In addition to meeting requirements set forth in State statutes, the audit also was designed to meet the requirements of the Federal Single Audit Act of 1984 and related OMB Circular A-133. The auditor's report on the financial statements and schedules is included in the financial section of this report.

**Awards.** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. This was the 27th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.


The Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgments.** The preparation of this comprehensive annual financial report, on a timely basis, was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for their contributions made in the preparation of this report and in the financial management of the City. The 27th consecutive GFOA award, recognizing their efforts, is well deserved indeed.

Sincerely,

A handwritten signature in dark ink, appearing to read "Tony Benavides", written in a cursive style.

Tony Benavides  
Mayor

A handwritten signature in dark ink, appearing to read "Glenn D. Kirk", written in a cursive style.

Glenn Kirk  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lansing,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



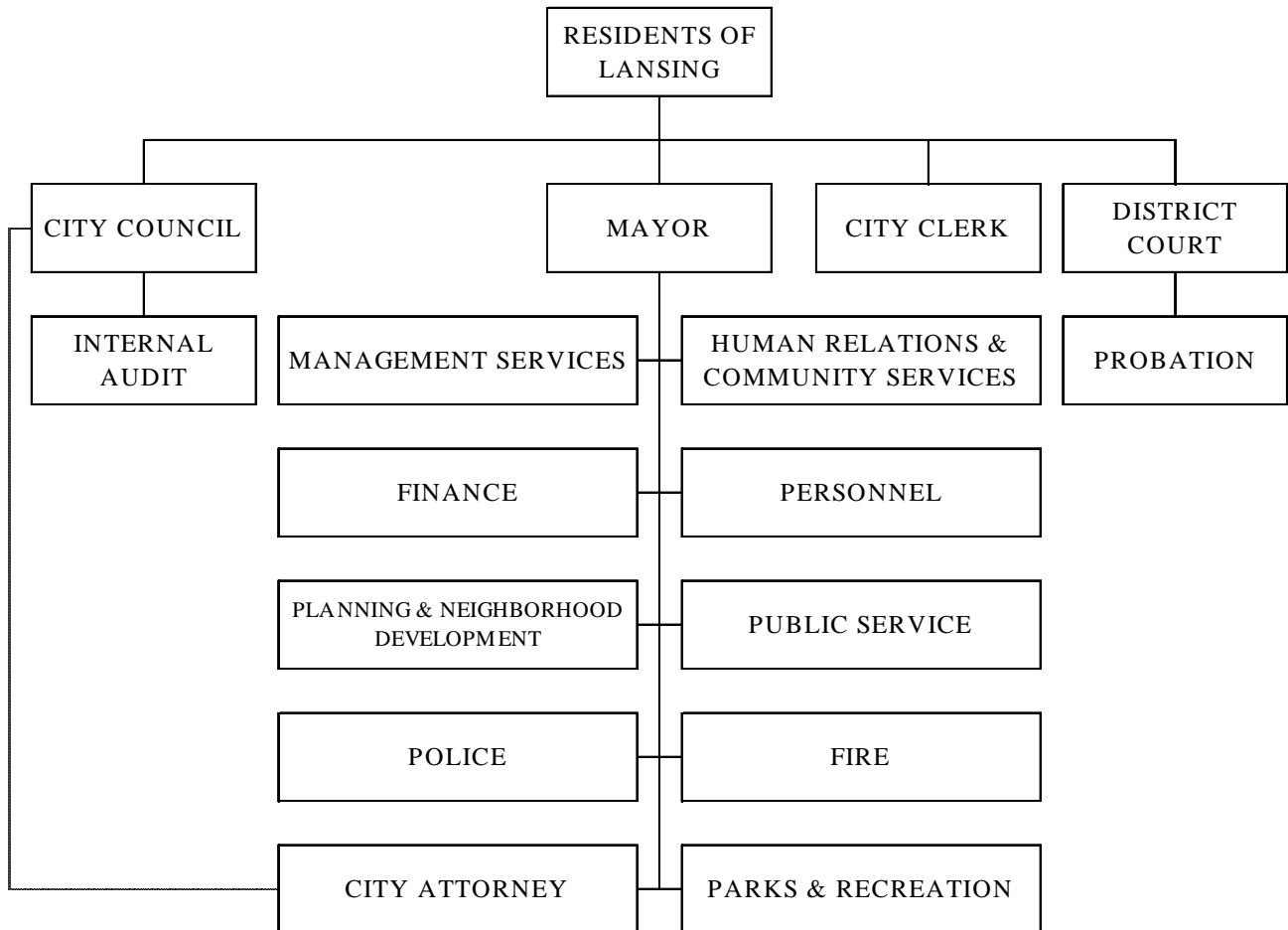
*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director

## ORGANIZATIONAL CHART





## FINANCIAL SECTION



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



## **INDEPENDENT AUDITORS' REPORT**

November 9, 2005

Honorable Mayor and  
Members of the City Council  
City of Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the ***City of Lansing, Michigan***, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lansing's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Brownfield Redevelopment Authority or the Tax Increment Finance Authority, which represent 32% and 8% of the assets and 4% and 44% of the revenues of the aggregate discretely presented component units, respectively. Those financial statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for the Brownfield Redevelopment Authority and the Tax Increment Finance Authority, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lansing, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2005, on our consideration of the City of Lansing, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters, in a separately issued single audit report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-12 and the historical pension supplementary information for the Employees Retirement System listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and do not express opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Lansing's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

## MANAGEMENT'S DISCUSSION and ANALYSIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Lansing, Michigan (“the City”) provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005 for the benefit of the readers of these financial statements. This management’s discussion and analysis (“MD&A”) is intended to assist the reader in focusing on significant financial issues and provide an overview of the City’s financial activity. The City encourages the readers to consider the following information here in conjunction with the financial statements taken as a whole, which follow this section.

### HIGHLIGHTS

#### **Government-wide:**

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$459.9 million (reported as *net assets*), an increase of \$43.2 million from the previous year. Component units of the City reported a deficit of net assets of \$44.0 million, a decrease of \$43.6 million from the previous year. These changes are from the Tax Incremental Finance Authority having liabilities that exceeded assets due to long term obligations related to General Obligation Tax Incremental Bonds issued by the Authority, and the TIFA being presented as a discreetly presented component unit in FY2005.

#### **Fund Level:**

- As of the close of the fiscal year, the City’s governmental funds reported combined ending fund balances of \$41.0 million. Of this, \$36.3 million is reported as unreserved fund balance, inclusive of \$7.2 million in the City’s Budget Stabilization Fund (before fiscal year 2006 designation of \$1.6 million) and \$11.3 million designated for capital projects for subsequent year expenditure. The remaining fund balance of \$4.7 million is reserved for specific purposes, such as long-term advances to other funds and encumbrances. At the end of the fiscal year, unreserved fund balance for the General Fund was \$4.6 million, an increase of \$1.0 million.
- The business-type activities reported net assets at year-end of \$226.0 million, an increase of \$22.2 million during the year. The majority of the increase represents the Sewage Disposal Fund’s \$7.4 million in current year income, and the Parking Fund’s prior period adjustment of \$14,679,306 restating the amount of capital leases receivable.

#### **Debt:**

- The City’s total debt was \$243.7 million at June 30, 2005, an increase of \$660,877 (or .2%), which represents the net difference between new issuances, and payments and refunding of outstanding debt. During the year, the City issued debt of \$13.3 million, including \$12.1 million in limited tax general obligation bonds for its Combined Sewer Overflow (CSO) abatement project. More detailed information regarding these activities and funds can be found in footnote 3-G, Long Term Debt which begins on page 51.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is an introduction to the City’s basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

**Government-wide Statements (Reporting the City as a Whole)** These statements include all non-fiduciary assets and liabilities, but exclude assets and liabilities related to pensions. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the City, as a whole, and about its activities, which provide measurements of long term trends that should help answer this question: Is the City, as a whole, better off or worse off as a result of this year's activities? Unlike the governmental funds, the current year's revenues and expenses are taken into account regardless of when cash is received or paid, known as "full accrual accounting".

The Statement of Net Assets (page 13) presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets are an indicator of whether the City's long term financial position is improving or deteriorating.

The Statement of Activities (pages 14-15) presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

The Statement of Net Assets and the Statement of Activities report three activities, as follows:

- *Governmental Activities* – Most of the City's basic services are reported under this category. Property taxes, income taxes, and intergovernmental revenues generally fund these services. The Council (legislative branch), the District Court (judicial branch), and general operations of the executive branch departments, such as police, fire, parks, public works, and staff departments fall within the governmental activities.
- *Business-type Activities* – The City charges fees to customers to help cover all or most of the cost of certain services it provides. Sewage collection and treatment and commercial area parking are examples of business-type activities.
- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City has three such discretely presented units; the Lansing Entertainment and Public Facilities Authority, the Tax Increment Finance Authority, and the Brownfield Redevelopment.

These financial statements include two schedules (pages 17 and 19) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (full accrual accounting) on the appropriate government-wide statements. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Certain revenues that are earned, but not available for use within the reporting period, are reported as revenues for governmental activities, but are reported as deferred revenue on the governmental fund statements.
- Other long-term assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but not deferred on the government-wide statements.

- Internal service funds are reported as governmental activities, but reported as proprietary funds in the fund financial statements.
- Bond issuance costs, discounts and premiums in the issuance of long term debt, are reported as expenditures in governmental fund statements, but are capitalized and amortized in the government-wide statements.
- Unless due and payable, long-term liabilities, such as capital lease obligations, compensated absences, litigation, and others only appear as liabilities in the government-wide statements.
- Capital outlay spending in excess of capitalization thresholds are recorded as capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other outflows, such as debt service principal payments, represent decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 31 of this report.

### **Fund Financial Statements (Reporting the City's Major Funds)**

The City's Major Funds are identified as its Sewage Disposal Fund, its Parking System Fund, and its Act 51 Major and Local Street Funds, along with its General Fund. The major fund financial statements begin on page 16. In addition to major funds, individual fund data for the non-major funds begins on page 67. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose.

- *Governmental funds* -- Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are greater or fewer financial resources that can be spent in the near future to finance the City's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds.
- *Proprietary funds* -- When the City charges customers for the services it provides, whether to outside customers or to other agencies within the City, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize full accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. Examples are the Sewage Disposal Fund and the Parking Fund. Internal service funds are reported as governmental activities on the government-wide statements.

- *Fiduciary Funds* -- The City acts as a trustee or fiduciary, for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 27. These funds, which include pension and other employee benefit funds, are reported using full accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent spendable assets of the City to finance its operations.

#### **Additional Required Supplementary Information**

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes required pension supplementary information.

#### **Other Supplementary Information**

Other supplementary information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements.

### **FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE**

The City's combined net assets increased \$43.2 million over the course of this fiscal year's operations to a total of \$459.9 million. The net assets of the governmental activities increased \$21.1 million or 9.5% and business-type activities increased \$22.2 million or 10.9%.

<i>Net Assets as of June 30, (in millions of dollars)</i>						
	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Primary Government</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
<b>Assets</b>						
Current and other non-current assets	\$ 63.8	\$ 47.7	\$ 97.3	\$ 94.3	\$ 161.1	\$ 142.0
Capital assets	<u>221.6</u>	<u>228.1</u>	<u>340.3</u>	<u>318.3</u>	<u>561.9</u>	<u>546.4</u>
Total assets	<u>\$ 285.4</u>	<u>\$ 275.8</u>	<u>\$ 437.6</u>	<u>\$ 412.6</u>	<u>\$ 723.0</u>	<u>\$ 688.4</u>
<b>Liabilities</b>						
Liabilities						
Long-term liabilities	\$ 38.3	\$ 34.1	\$ 192.5	\$ 192.1	\$ 230.8	\$ 226.2
Other liabilities	<u>13.2</u>	<u>28.9</u>	<u>19.1</u>	<u>16.7</u>	<u>32.3</u>	<u>45.6</u>
Total liabilities	<u>\$ 51.5</u>	<u>\$ 63.0</u>	<u>\$ 211.6</u>	<u>\$ 208.8</u>	<u>\$ 263.1</u>	<u>\$ 271.8</u>
<b>Net assets</b>						
Invested in capital assets, net of related debt	198.3	197.5	163.8	138.8	362.1	336.3
Restricted	33.9	-	.1	.7	34.0	0.7
Unrestricted	<u>1.7</u>	<u>15.3</u>	<u>62.1</u>	<u>64.3</u>	<u>63.8</u>	<u>79.6</u>
Total net assets	<u>\$ 233.9</u>	<u>\$ 212.8</u>	<u>\$ 226.0</u>	<u>\$ 203.8</u>	<u>\$ 459.9</u>	<u>\$ 416.6</u>



The largest component (81%) of the City's net assets reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Unrestricted net assets are the next largest component, comprising 13.7 %. These represent resources that may be used at the City's discretion, but often have limitations based upon policy action. The remaining portion, restricted net assets, is subject to external restrictions such as bond covenants, City Charter, State legislation or Constitutional provision.

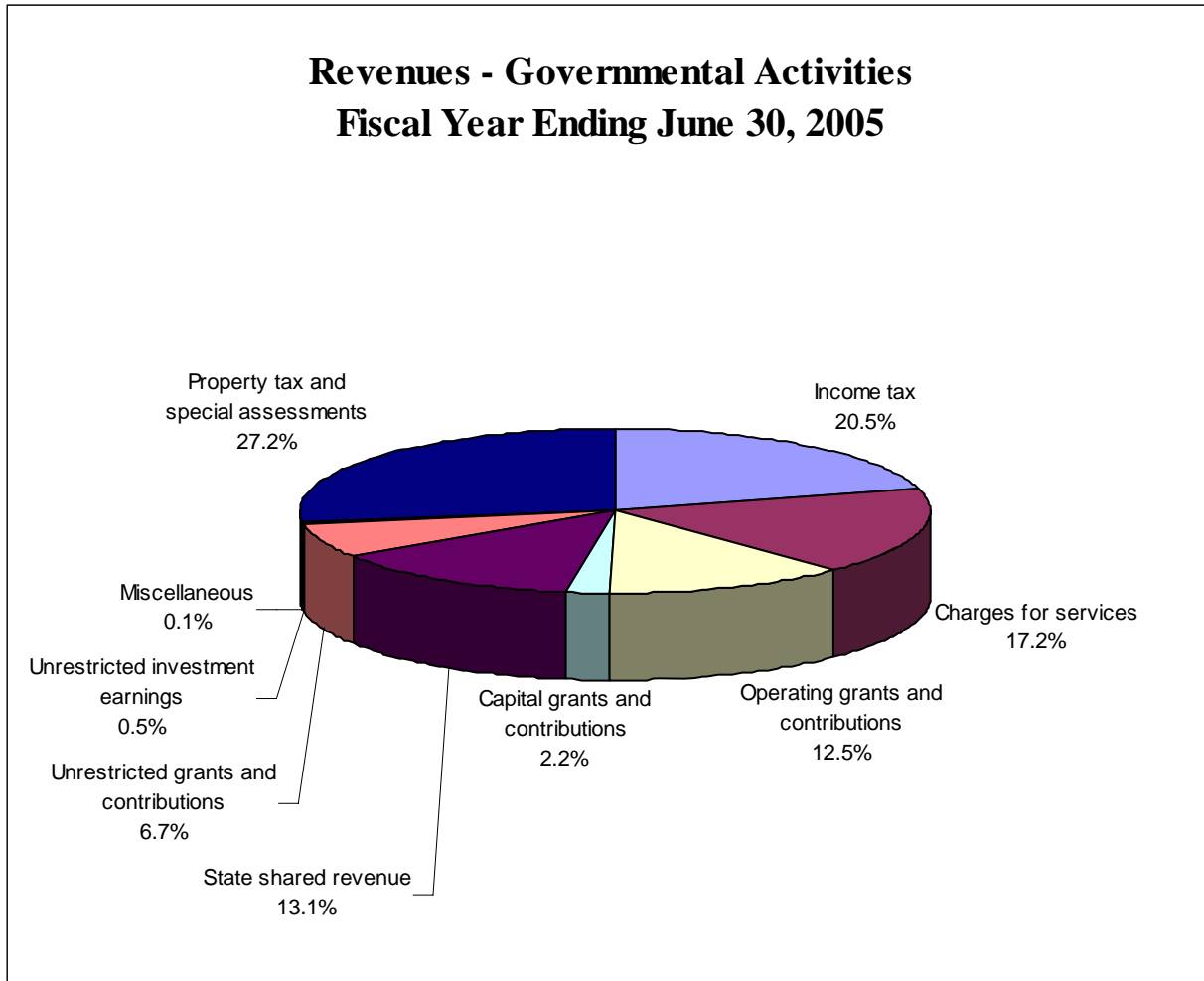
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City's net assets changed during the fiscal year:

*Change in Net Assets  
for the Fiscal Year Ended June 30,  
(in millions of dollars)*

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Primary Government</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 23.0	\$ 20.7	\$ 42.2	\$ 39.2	\$ 65.2	\$ 59.9
Operating grants	16.7	15.7	-	-	16.7	15.7
Capital grants	3.5	3.0	.7	.1	4.2	3.1
General revenues						
Taxes	63.6	67.8	-	-	63.6	67.8
State shared revenue	17.5	17.7	-	-	17.5	17.7
Unrestricted Grants and Contributions	8.9	8.7	-	-	8.9	8.7
Unrestricted Investment						
Earnings	.7	.3	1.3	.2	2.0	.5
Other	.1	2.9	-	.4	.1	3.3
Total revenues	<u>134.0</u>	<u>136.8</u>	<u>44.2</u>	<u>39.9</u>	<u>178.2</u>	<u>176.7</u>
<b>Expenses</b>						
General government, administrative	52.8	53.4	-	-	52.8	53.4
Public Safety	38.7	41.3	-	-	38.7	41.3
Public Works	31.4	22.1	-	-	31.4	22.1
Recreation and Culture	5.5	8.0	-	-	5.5	8.0
Community Development	7.0	8.4	-	-	7.0	8.4
Interest on Long Term Debt	1.0	2.0	-	-	1.0	2.0
Sewage Disposal System	-	-	20.6	20.9	20.6	20.9
Municipal Parking System	-	-	10.2	9.2	10.2	9.2
Cemetery	-	-	.8	.8	.8	.8
Golf	-	-	1.4	1.6	1.4	1.6
Garbage and Refuse Collection	-	-	1.4	1.3	1.4	1.3
Recycling	-	-	2.9	2.8	2.9	2.8
Potter Park Zoo	-	-	2.7	2.5	2.7	2.5
Total expenses	<u>136.4</u>	<u>135.2</u>	<u>40.0</u>	<u>39.1</u>	<u>176.4</u>	<u>174.3</u>
Excess before transfers	(2.4)	1.6	4.2	.8	1.8	2.4
Transfers in (out)	(2.1)	(2.7)	2.1	2.7	-	-
Changes in net assets	(4.5)	(1.1)	6.3	3.5	1.8	2.4
Beginning net assets	<u>238.4</u>	<u>213.9</u>	<u>219.7</u>	<u>200.4</u>	<u>458.1</u>	<u>414.3</u>
Ending net assets	<u>\$ 233.9</u>	<u>\$ 212.8</u>	<u>\$ 226.0</u>	<u>\$ 203.9</u>	<u>\$ 459.9</u>	<u>\$ 416.7</u>

**Governmental Activities:**

The following chart depicts revenues of the governmental activities for the fiscal year:

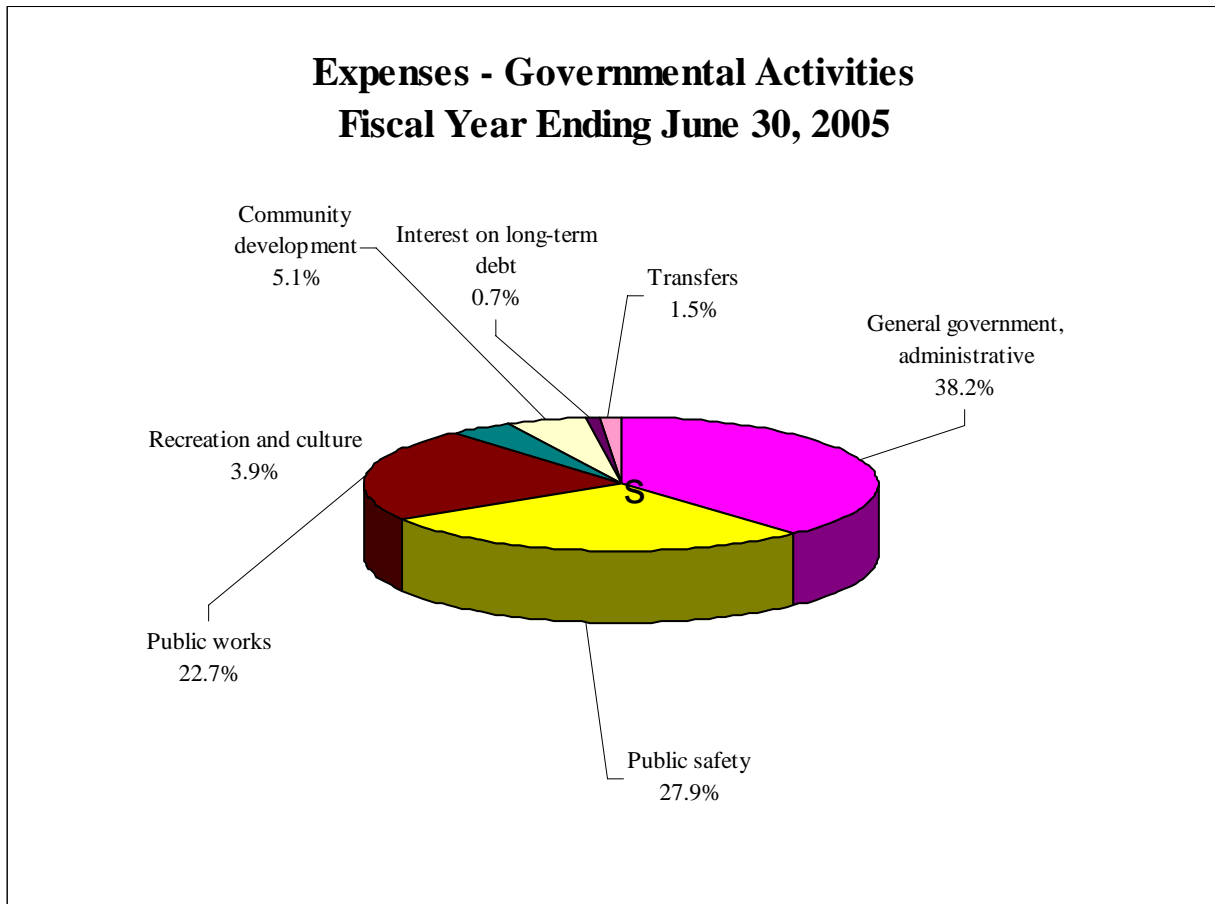


Property taxes comprised 27.2% of Governmental Activities revenue, with \$2,106,096 representing debt service on voted unlimited tax- general obligation debt. The City's operating millage is currently 14.9 mills. In accordance with Charter and State Constitutional provisions, the City may levy up to 19.198 mills for operations in FY 2006.

Income taxes comprised 20.5% of Governmental Activities revenue which fully appears within the General Fund. Local income tax rates are prescribed by State law, and limited in Lansing's case to 1% of resident income and 0.5% of the income of persons working in the City, but living outside of its corporate boundaries.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. FY 2005 receipts from the State of Michigan trended downward, due to declining sales tax collections and discretionary reductions in revenue sharing payments.

The following chart depicts expenses of the governmental activities for the fiscal year:



### **Business-type Activities**

Net assets of the business-type activities increased by \$22.2 million during the fiscal year. The factors contributing to these results were funds raised for the City's combined sewer overflow project, recognition of unbilled sewer revenues of \$1.2 million, and a change in valuation of leases receivable in Parking of \$14.7 million.

The Sewage Disposal System Fund net assets increased by \$7,330,634. This is primarily a result of funding for capital costs of the combined sewer separation project. Sewage system revenues are expected to increase by 4% per year over the next five years to continue this 30 year project.

Within non-major funds, Cemeteries, Golf, Potter Park Zoo, Garbage and Rubbish, and Recycling remain subsidized by the General Fund.

The City of Lansing is continuing its five year plan to eliminate the unrestricted net asset deficit in the Golf Fund.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed the fiscal year, its governmental funds reported fund balances of \$41.0 million. Of this total amount, \$36.3 million, or 88.7% constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds. This includes \$7.2 million in the City's Budget Stabilization Fund of which \$1.6 million has been appropriated for fiscal year 2006 and \$11.3 million designated for capital projects for subsequent year expenditure. The remainder of fund balance is reserved and is not available for new spending because it has already been reserved for specific purposes, including special assessments and encumbrances.

### **General Fund**

The General Fund is the chief operating fund of the City. At the end of fiscal year 2004-2005, the General Fund fund balance was \$7.1 million, including an unreserved fund balance of \$4.6 million and a reserved fund balance of \$2.5 million. The General Fund's total fund balance increased \$494,153 as compared to FY 2004. Unreserved fund balance decreased by \$1,029,792, attributable to more contractual obligations at year end than in FY 2004.

### **General Fund Budgetary Highlights:**

Expenditures in comparison to budget were reduced in virtually all operating departments by a partial hiring freeze impacting all but public safety positions, by selective deferral of capital expenditures, and by administrative actions to reduce operating costs.

- Property tax revenue increased \$1,187,554 or 3.6% in FY 2005. This occurred despite the current economic downturn at the State level.
- Income tax revenue increased only \$84,272 in FY 2005 due largely to reductions in the State government workforce and the current lag in the State's economic recovery.
- Reduction of State revenue sharing and fire reimbursement grants from amounts budgeted reduced the Lansing share by \$235,913. The budget was reduced during the year to reflect this reduction.

Interest income increased by \$148,920 or 74.0% due to market conditions resulting in increased rates of return.

### **Budget Stabilization Fund**

Fund balance at June 30, 2005 decreased to \$7.2 million, from \$8.3million the previous year. The Fund is limited by Ordinance to 10% of year end General Fund appropriations. The City has appropriated \$1.6 million for their 2006 budget.

## **Capital Assets**

Capital Assets: At the end of the fiscal year 2004-2005, the City had invested \$562.0 million, net of accumulated depreciation, in a broad range of capital assets (see the table below). Total depreciation charges for the fiscal year were \$23.1 million. Additional information regarding the City's capital assets can be found in the notes to the basic financial statements.

*Capital Assets as of June 30,  
(net of depreciation, in millions of dollars)*

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Primary Government</i>		<i>Component Unit</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
Land	\$ 24.7	\$ 24.6	\$ 22.6	\$ 22.6	\$ 47.3	\$ 47.2	\$ -	\$ -
Land improvements	4.3	4.5	14.1	13.7	18.4	18.2	-	-
Buildings and improvements	48.9	50.4	111.6	91.7	160.5	142.1	-	-
Equipment	5.8	6.7	1.2	1.4	7.0	8.1	.2	.2
Sewers	-	-	132.5	99.7	132.5	99.7	-	-
Infrastructure	132.6	137.9	-	-	132.6	137.9	-	-
Subtotal	216.3	224.1	282.0	229.1	498.3	453.2	.2	.2
Construction in progress	5.4	4.0	58.3	89.3	63.7	93.3	-	-
Total	\$ 221.7	\$ 228.1	\$ 340.3	\$ 318.4	\$ 562.0	\$ 546.5	\$ .2	\$ .2

Infrastructure capital assets in governmental activity funds of \$4,118,154 was removed from service during the year.

Within business-type activity funds, construction in progress capital assets decreased with recognition of improvements associated with the City's combined sewer overflow abatement project being put into service.

### **Debt Administration**

The City, along with the Lansing Building Authority (LBA), a blended component unit of the City, are empowered by law to authorize, issue, and sell debt obligations. Limited tax and unlimited tax general obligation bonds, are backed by the full faith and credit of the City. The City also issues revenue dedicated bonded debt, whose payment for principal and interest comes solely out of funds that receive legally restricted revenues. The Sewage Disposal fund has the only dedicated revenue bonds which are currently outstanding. LBA's bonds financed the construction of parking, golf course, and firing range improvements. Revenues derived from user fees from persons using parking and golf facilities fund the debt service requirements for related improvements, but they are also backed by a limited tax pledge. The General Fund pays for firing range related debt service. More detailed information regarding the City's long-term obligations is presented in Note 3-G (Long-Term Debt) to the financial statements.

***Outstanding Bonded Debt as of June 30,  
(in millions of dollars)***

	<b>2005</b>	<b>2004</b>
<b><i>Governmental:</i></b>		
General obligation bonds (backed by the City)	\$ 13.3	\$ 14.9
Installment purchase contracts	7.9	9.8
Loans	1.5	0.4
Sub-total	<u>22.7</u>	<u>25.1</u>
<b><i>Business Type:</i></b>		
General obligation bonds (backed by the City)	150.0	137.1
Revenue bonds and notes (backed by specific fee revenues)	51.6	55.2
Loans	4.2	4.2
Sub-total	<u>205.8</u>	<u>196.5</u>
<b><i>Total</i></b>	<u>\$ 228.5</u>	<u>\$ 221.6</u>

### **ECONOMIC CONDITION AND OUTLOOK**

The State of Michigan's slow economic recovery continued to place budgetary and fiscal constraints on the City of Lansing. While the realization of development initiatives and low mortgage rates resulted in stable growth in property tax revenues, reductions in State revenue sharing and stagnant income tax receipt growth resulted in only a 1.2% increase in overall General Fund own-source revenues for fiscal year 2004/2005. For fiscal year 2005/2006, the State revenue sharing appropriation remained constant with fiscal year 2004/2005 levels. However, an earlier-than-expected closing of the General Motors Lansing Car Assembly plant is expected to result in a decrease in income taxes for another year of overall General Fund own-source revenue growth of only 1%. In addition, the City faces significant financial obligations in future years under the current EPA-mandate for the separation of the City's sanitary and storm sewers.

To address these budgetary challenges, the Mayor's fiscal year 2005/2006 budget address called for a reduction in staffing levels, consolidation of certain services, and a move toward regional efforts for some service over the next three years, beginning with the FY 2005/2006 budget. In addition to a reduction in workforce, the FY2005/2006 General Fund budget includes the use of \$2.2 million of the City's reserves.

### **CONTACTING THE CITY FINANCE DEPARTMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Department at (517) 483-4500.

## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS



**City of Lansing**  
Statement of Net Assets  
June 30, 2005

	<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>	<b>Component Units</b>
<b>Assets</b>				
Cash and investments	\$ 28,977,721	\$ 24,452,824	\$ 53,430,545	\$ 989,129
Receivables, net	31,202,001	31,973,053	63,175,054	590,952
Internal balances	1,176,224	(1,176,224)	-	-
Inventories, prepaids and other assets	2,396,800	1,300,933	3,697,733	243,810
Restricted assets:				
Cash and investments	21,440	40,619,203	40,640,643	437,009
Receivables, net	49	125,218	125,267	33,884
Capital assets not being depreciated	30,022,439	80,891,125	110,913,564	-
Capital assets being depreciated, net	191,630,830	259,436,837	451,067,667	193,900
<b>Total assets</b>	<b>285,427,504</b>	<b>437,622,969</b>	<b>723,050,473</b>	<b>2,488,684</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	12,832,279	3,195,112	16,027,391	809,792
Accrued interest payable	230,026	1,062,936	1,292,962	7,768,346
Unearned revenues	153,822	95,744	249,566	636,591
Long-term liabilities:				
Due within one year	12,842,121	14,744,323	27,586,444	2,213,297
Due in more than one year	25,497,771	192,495,608	217,993,379	35,140,580
<b>Total liabilities</b>	<b>51,556,019</b>	<b>211,593,723</b>	<b>263,149,742</b>	<b>46,568,606</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	198,338,788	163,834,290	362,173,078	26,672
Restricted for:				
Debt service	4,400	39,493,526	39,497,926	-
Capital projects	12,563,759	-	12,563,759	-
Endowments - nonexpendable	1,557,890	-	1,557,890	-
Other purposes	19,774,608	-	19,774,608	-
Unrestricted (deficit)	1,632,040	22,701,430	24,333,470	(44,106,594)
<b>Total net assets (deficit)</b>	<b>\$ 233,871,485</b>	<b>\$ 226,029,246</b>	<b>\$ 459,900,731</b>	<b>\$ (44,079,922)</b>

The accompanying notes are an integral part of the financial statements.

**City of Lansing**  
Statement of Activities  
For the Year Ended June 30, 2005

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 53,533,838	\$ 6,264,142	\$ 27,847	\$ -	\$ (47,241,849)
Public safety	38,668,349	12,400,853	950,806	-	(25,316,690)
Public works	30,670,483	2,646,007	15,657,212	584,908	(11,782,356)
Recreation and culture	5,464,143	1,598,968	37,616	702	(3,826,857)
Community development	6,996,000	66,788	-	2,893,926	(4,035,286)
Interest on long-term debt	1,033,078	-	-	-	(1,033,078)
<b>Total governmental activities</b>	<b>136,365,891</b>	<b>22,976,758</b>	<b>16,673,481</b>	<b>3,479,536</b>	<b>(93,236,116)</b>
Business-type activities:					
Sewage disposal system	20,631,611	26,890,756	-	260,695	6,519,840
Municipal parking system	10,151,018	9,628,690	-	-	(522,328)
Cemetery	802,949	230,716	-	33,600	(538,633)
Golf	1,446,615	929,266	-	437,280	(80,069)
Garbage and rubbish collection	1,421,617	1,322,111	-	-	(99,506)
Recycling	2,862,003	2,636,002	-	-	(226,001)
Potter Park Zoo	2,690,943	558,654	-	-	(2,132,289)
<b>Total business-type activities</b>	<b>40,006,756</b>	<b>42,196,195</b>	<b>-</b>	<b>731,575</b>	<b>2,921,014</b>
<b>Total primary government</b>	<b>\$ 176,372,647</b>	<b>\$ 65,172,953</b>	<b>\$ 16,673,481</b>	<b>\$ 4,211,111</b>	<b>\$ (90,315,102)</b>
<b>Component units</b>					
Brownfield redevelopment	\$ 2,300,366	\$ 25,500	\$ 89,527	\$ -	\$ (2,185,339)
Community development	3,988,547	-	-	-	(3,988,547)
Recreation and culture	6,196,632	4,990,223	966,499	-	(239,910)
<b>Total component units</b>	<b>\$ 12,485,545</b>	<b>\$ 5,015,723</b>	<b>\$ 1,056,026</b>	<b>\$ -</b>	<b>\$ (6,413,796)</b>

Continued...

**City of Lansing**  
Statement of Activities (concluded)  
For the Year Ended June 30, 2005

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
			<b>Component Units</b>
<b>Changes in net assets</b>			
Net (expense) revenue	\$ (93,236,116)	\$ 2,921,014	\$ (90,315,102)
<b>General revenues</b>			
Property taxes	36,181,408	-	36,181,408
Income taxes	27,435,047	-	27,435,047
Grants and contributions not restricted to specific programs	26,355,710	-	26,355,710
Unrestricted investment earnings	715,608	1,298,407	2,014,015
Gain on sale of capital assets	104,563	23,736	128,299
<b>Transfers - internal activities</b>	<u>(2,123,435)</u>	<u>2,123,435</u>	<u>-</u>
Total general revenues and transfers	<u>88,668,901</u>	<u>3,445,578</u>	<u>92,114,479</u>
Change in net assets	(4,567,215)	6,366,592	1,799,377
Net assets (deficit), beginning of year, as restated	<u>238,438,700</u>	<u>219,662,654</u>	<u>458,101,354</u>
<b>Net assets (deficit), end of year</b>	<u>\$ 233,871,485</u>	<u>\$ 226,029,246</u>	<u>\$ 459,900,731</u>

The accompanying notes are an integral part of the financial statements.

## FUND FINANCIAL STATEMENTS

# **Governmental Fund Financial Statements**

## **Major Funds**

**General Fund** – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Major Streets Fund** – This fund accounts for revenues received from the State of Michigan for the City's share of state gasoline and weight taxes, which is used for maintenance of major streets.

**Local Streets Fund** – This fund accounts for revenues received from the State of Michigan for the City's share of state gasoline and weight taxes, which is used for maintenance of local streets.

## **Non-Major Funds**

Non-major governmental funds are presented, by fund type, beginning on the pages listed below:

Special Revenue funds, page 69.

Debt Service funds, page 80.

Capital Projects funds, page 84.

Permanent funds, page 88.

**City of Lansing**  
Balance Sheet - Governmental Funds  
June 30, 2005

	<b>General</b>	<b>Major Streets</b>	<b>Local Streets</b>	<b>Other Governmental Funds</b>	<b>Totals</b>
<b><u>Assets</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 1,306,140	\$ -	\$ -	\$ 3,658,052	\$ 4,964,192
Equity in pooled cash	-	6,372,149	1,962,933	14,890,994	23,226,076
Accounts receivable, net	5,285,558	-	-	4,548,001	9,833,559
Taxes receivable	4,226,670	-	-	-	4,226,670
Special assessments receivable	-	-	-	966,319	966,319
Loans receivable	-	-	-	1,412,913	1,412,913
Accrued interest receivable	-	-	-	1,530,680	1,530,680
Due from other funds	1,469,616	-	-	400	1,470,016
Interfund receivable	-	-	-	7,195,080	7,195,080
Advances to other funds	639,944	-	-	-	639,944
Due from other governments	5,470,698	1,618,178	313,029	4,136,358	11,538,263
Prepays	63,383	147,419	-	881	211,683
Inventories	1,478,515	-	-	-	1,478,515
<b>Total assets</b>	<b>\$ 19,940,524</b>	<b>\$ 8,137,746</b>	<b>\$ 2,275,962</b>	<b>\$ 38,339,678</b>	<b>\$ 68,693,910</b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 2,542,268	\$ 363,093	\$ 15,528	\$ 1,119,197	\$ 4,040,086
Deposits payable	-	-	-	366,746	366,746
Accrued payroll	3,159,719	45,346	22,959	301,115	3,529,139
Contract retainage payable	1,291,791	-	-	19	1,291,810
Indemnity bonds	-	8,799	15,916	-	24,715
Due to other funds	12,834	-	-	290,958	303,792
Interfund payable	2,655,977	-	-	7,934,007	10,589,984
Advance from other funds	-	-	-	639,944	639,944
Due to other governments	1,212,496	-	-	-	1,212,496
Deferred revenue	737,252	-	-	3,729,102	4,466,354
Other	1,135,689	-	-	-	1,135,689
<b>Total liabilities</b>	<b>12,748,026</b>	<b>417,238</b>	<b>54,403</b>	<b>14,381,088</b>	<b>27,600,755</b>
<b>Fund balances</b>					
Reserved for advances	639,944	-	-	-	639,944
Reserved for prepaids	63,383	147,419	-	881	211,683
Reserved for inventories	1,478,515	-	-	-	1,478,515
Reserved for encumbrances	300,747	1,928,752	37,612	24,774	2,291,885
Unreserved, designated for subsequent years' expenditures:					
General fund	593,511	-	-	-	593,511
Special revenue funds	-	4,352,342	1,055,202	536,051	5,943,595
Capital projects funds	-	-	-	11,261,582	11,261,582
Unreserved, reported in:					
General fund	4,116,398	-	-	-	4,116,398
Special revenue funds	-	1,291,995	1,128,745	9,270,835	11,691,575
Debt service funds	-	-	-	4,400	4,400
Capital projects funds	-	-	-	1,302,177	1,302,177
Permanent funds	-	-	-	1,557,890	1,557,890
<b>Total fund balances</b>	<b>7,192,498</b>	<b>7,720,508</b>	<b>2,221,559</b>	<b>23,958,590</b>	<b>41,093,155</b>
<b>Total liabilities and fund balances</b>	<b>\$ 19,940,524</b>	<b>\$ 8,137,746</b>	<b>\$ 2,275,962</b>	<b>\$ 38,339,678</b>	<b>\$ 68,693,910</b>

The accompanying notes are an integral part of the financial statements

**City of Lansing**  
Reconciliation of Fund Balances on the Balance Sheet  
for Governmental Funds to Net Assets of  
Governmental Activities on the Statement of Net Assets  
June 30, 2005

<b>Fund balances - total governmental funds</b>	\$ 41,093,155
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	467,462,350
Deduct - accumulated depreciation	(250,414,346)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred revenues in the governmental funds and, therefore, not included in fund balance.

Add - deferred ambulance fees	435,504
Add - deferred nuisance fees	301,749
Add - deferred loans receivable	1,212,913
Add - deferred long-term interest receivable	1,524,617
Add - deferred long-term special assessments	837,749

Internal service funds are used by management to charge the costs of certain equipment maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

	8,327,985
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds, loans and leases payable	(21,774,349)
Deduct - accrued interest on bonds, loans and leases payable	(202,919)
Deduct - compensated absences and other long-term liabilities	(14,932,923)

<b>Net assets of governmental activities</b>	<b><u>\$ 233,871,485</u></b>
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The accompanying notes are an integral part of the financial statements.

**City of Lansing**  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

	<b>General</b>	<b>Major Streets</b>	<b>Local Streets</b>	<b>Other Governmental Funds</b>	<b>Totals</b>
<b>Revenues</b>					
Property taxes	\$ 33,706,566	\$ -	\$ -	\$ 2,820,851	\$ 36,527,417
Income taxes	27,497,542	-	-	-	27,497,542
Licenses and permits	791,655	-	-	-	791,655
Intergovernmental	17,490,160	7,278,553	1,935,040	8,920,619	35,624,372
Charges for services	9,950,210	352,151	382,461	7,246,750	17,931,572
Fines and forfeits	3,871,724	-	-	480,253	4,351,977
Interest and rents	348,584	108,512	26,686	236,925	720,707
Contributions	8,956,291	-	-	9,998	8,966,289
Donations from private sources	-	-	-	126,182	126,182
Other revenues	187,416	467,778	-	664,870	1,320,064
<b>Total revenues</b>	<b>102,800,148</b>	<b>8,206,994</b>	<b>2,344,187</b>	<b>20,506,448</b>	<b>133,857,777</b>
<b>Expenditures</b>					
Current expenditures:					
General government	53,176,244	-	-	2,570,563	55,746,807
Public safety	32,633,778	-	-	5,487,818	38,121,596
Highways and streets	2,206,724	5,059,258	3,201,878	-	10,467,860
Recreation and culture	5,333,016	-	-	184,964	5,517,980
Other functions	2,613,502	-	-	5,907,346	8,520,848
Debt service:					
Principal	701,679	131,087	-	2,760,000	3,592,766
Interest	74,562	16,331	-	1,096,780	1,187,673
Capital outlay	-	1,592,410	236,780	10,785,533	12,614,723
<b>Total expenditures</b>	<b>96,739,505</b>	<b>6,799,086</b>	<b>3,438,658</b>	<b>28,793,004</b>	<b>135,770,253</b>
Revenues over (under) expenditures	6,060,643	1,407,908	(1,094,471)	(8,286,556)	(1,912,476)
<b>Other financing sources (uses)</b>					
Transfers in	1,675,536	-	1,644,367	4,955,026	8,274,929
Transfers out	(7,316,591)	(1,644,367)	-	(1,437,406)	(10,398,364)
Proceeds on sale of capital assets	74,565	-	-	-	74,565
Issuance of long-term debt	-	1,266,000	-	518,465	1,784,465
<b>Total other sources (uses)</b>	<b>(5,566,490)</b>	<b>(378,367)</b>	<b>1,644,367</b>	<b>4,036,085</b>	<b>(264,405)</b>
<b>Net change in fund balances</b>	<b>494,153</b>	<b>1,029,541</b>	<b>549,896</b>	<b>(4,250,471)</b>	<b>(2,176,881)</b>
Fund balances, beginning of year, as restated	6,698,345	6,690,967	1,671,663	28,209,061	43,270,036
<b>Fund balances, end of year</b>	<b>\$ 7,192,498</b>	<b>\$ 7,720,508</b>	<b>\$ 2,221,559</b>	<b>\$ 23,958,590</b>	<b>\$ 41,093,155</b>

The accompanying notes are an integral part of the financial statements.



**City of Lansing**  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2005

**Net change in fund balances - total governmental funds** \$ (2,176,881)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add - capital outlay	8,836,371
Deduct - depreciation expense	(13,296,896)
Deduct - loss on disposal of capital assets	(1,218,626)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.

Deduct - change in income tax penalties and interest	(62,495)
Deduct - change in ambulance fees	(217,040)
Add - change in deferred special assessments	238,899

Internal service funds are used by management to charge the costs of certain equipment maintenance to individual funds. The net increase (decrease) in the net assets of the internal service funds is reported with governmental activities.

Add - net operating income from governmental activities in internal service funds	1,725,551
Add - interest revenue from governmental internal service funds	407
Add - gain on sale of capital assets from governmental internal service funds	29,998
Deduct - interest expense from governmental internal service funds	(85,065)
Deduct - amortization expense from governmental internal service funds	(654)

Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct - proceeds of capital leases	(1,784,465)
Add - principal payments on long-term liabilities	3,592,766

Certain expenditures are reported in governmental funds that reduce long-term liabilities for purposes of the statement of net assets.

Deduct - increase in liability for workers' compensation	(70,968)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on long-term liabilities	239,660
Deduct - increase in the accrual for compensated absences	(317,777)

**Change in net assets of governmental activities** \$ (4,567,215)

The accompanying notes are an integral part of the financial statements.

**City of Lansing**  
Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual  
General Fund  
For the Year Ended June 30, 2005

	<b>Budget</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues</b>				
Property taxes	\$ 34,074,450	\$ 34,074,450	\$ 33,706,566	\$ (367,884)
Income taxes	29,565,000	29,040,000	27,497,542	(1,542,458)
Licenses and permits	788,285	788,285	791,655	3,370
Intergovernmental	18,875,400	17,876,800	17,490,160	(386,640)
Charges for services	10,295,968	10,290,178	9,950,210	(339,968)
Fines and forfeits	4,254,500	4,254,500	3,871,724	(382,776)
Interest and rents	412,200	412,200	348,584	(63,616)
Contributions	8,874,213	8,879,709	8,956,291	76,582
Other revenues	195,800	451,591	187,416	(264,175)
<b>Total revenues</b>	<b>107,335,816</b>	<b>106,067,713</b>	<b>102,800,148</b>	<b>(3,267,565)</b>
<b>Expenditures</b>				
General government:				
City clerk	622,047	624,047	615,585	8,462
Council	730,089	770,143	727,791	42,352
Courts	4,416,847	4,416,847	4,359,093	57,754
Finance	3,513,198	3,521,707	3,292,039	229,668
General administration	34,530,900	35,269,020	33,557,619	1,711,401
Law	777,869	779,094	723,062	56,032
Management services	7,063,663	7,115,816	6,482,887	632,929
Mayor	585,897	594,037	525,604	68,433
Personnel services	949,237	997,622	880,151	117,471
Planning / neighborhood development	2,075,372	2,348,613	2,012,413	336,200
<b>Total general government</b>	<b>55,265,119</b>	<b>56,436,945</b>	<b>53,176,244</b>	<b>3,260,701</b>
Public safety:				
Police	18,047,616	18,055,090	17,640,346	414,744
Fire	15,245,981	15,298,779	14,993,432	305,347
<b>Total public safety</b>	<b>33,293,597</b>	<b>33,353,869</b>	<b>32,633,778</b>	<b>720,091</b>
Highways and streets:				
Public service	2,288,495	2,336,042	2,206,724	129,318
<b>Parks and recreation</b>	<b>5,927,619</b>	<b>6,041,958</b>	<b>5,333,016</b>	<b>708,942</b>
Other functions:				
Human relations / community services	665,392	679,604	677,775	1,829
Human services / community support	1,973,362	2,081,263	1,935,727	145,536
<b>Total other functions</b>	<b>2,638,754</b>	<b>2,760,867</b>	<b>2,613,502</b>	<b>147,365</b>

Continued...

**City of Lansing**  
Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual (Concluded)  
General Fund  
For the Year Ended June 30, 2005

	<b>Budget</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Expenditures (concluded)</b>				
Debt service:				
Principal	\$ 731,000	\$ 731,000	\$ 701,679	\$ 29,321
Interest and fees	107,700	189,168	74,562	114,606
Total debt service	<u>838,700</u>	<u>920,168</u>	<u>776,241</u>	<u>143,927</u>
 Total expenditures	 <u>100,252,284</u>	 <u>101,849,848</u>	 <u>96,739,505</u>	 <u>5,110,343</u>
 Revenues over (under) expenditures	 <u>7,083,532</u>	 <u>4,217,865</u>	 <u>6,060,643</u>	 <u>1,842,778</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,397,950	2,378,786	1,675,536	(703,250)
Transfers out	(9,348,982)	(7,599,522)	(7,316,591)	282,931
Proceeds on sale of capital assets	<u>167,500</u>	<u>167,500</u>	<u>74,565</u>	<u>(92,935)</u>
 Total other financing sources (uses)	 <u>(7,783,532)</u>	 <u>(5,053,236)</u>	 <u>(5,566,490)</u>	 <u>(513,254)</u>
 Net change in fund balance	 (700,000)	 (835,371)	 494,153	 1,329,524
 Fund balance, beginning of year, as restated	 <u>6,698,345</u>	 <u>6,698,345</u>	 <u>6,698,345</u>	 <u>-</u>
<b>Fund balance, end of year</b>	<b><u>\$ 5,998,345</u></b>	<b><u>\$ 5,862,974</u></b>	<b><u>\$ 7,192,498</u></b>	<b><u>\$ 1,329,524</u></b>

The accompanying notes are an integral part of the financial statements.

**City of Lansing**  
Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual  
Major Streets Special Revenue Fund  
For the Year Ended June 30, 2005

	<b>Budget</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues</b>				
Intergovernmental	\$ 7,285,874	\$ 7,349,180	\$ 7,278,553	\$ (70,627)
Charges for services	315,817	315,817	352,151	36,334
Interest and rents	45,000	45,000	108,512	63,512
Other revenues	510,000	510,000	467,778	(42,222)
Total revenues	8,156,691	8,219,997	8,206,994	(13,003)
<b>Expenditures</b>				
Highways and streets	5,561,300	6,995,366	5,059,258	1,936,108
Debt service:				
Principal	131,087	131,087	131,087	-
Interest and fees	16,913	16,913	16,331	582
Capital outlay	2,158,000	6,948,701	1,592,410	5,356,291
Total expenditures	7,867,300	14,092,067	6,799,086	7,292,981
Revenues over (under) expenditures	289,391	(5,872,069)	1,407,908	7,279,977
<b>Other financing sources (uses)</b>				
Transfers out	(1,665,744)	(1,665,744)	(1,644,367)	21,377
Issuance of long-term debt	-	1,266,000	1,266,000	-
Total other financing sources (uses)	(1,665,744)	(399,744)	(378,367)	21,377
Net change in fund balance	(1,376,353)	(6,271,813)	1,029,541	7,301,354
Fund balance, beginning of year	6,690,967	6,690,967	6,690,967	-
<b>Fund balance, end of year</b>	<b>\$ 5,314,614</b>	<b>\$ 419,154</b>	<b>\$ 7,720,508</b>	<b>\$ 7,301,354</b>

The accompanying notes are an integral part of the financial statements.

**City of Lansing**  
Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual  
Local Streets Special Revenue Fund  
For the Year Ended June 30, 2005

	<b>Budget</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues</b>				
Intergovernmental	\$ 1,948,694	\$ 1,948,694	\$ 1,935,040	\$ (13,654)
Charges for services	190,723	190,723	382,461	191,738
Interest and rents	12,000	12,000	26,686	14,686
Total revenues	2,151,417	2,151,417	2,344,187	192,770
<b>Expenditures</b>				
Highways and streets	3,373,900	3,416,501	3,201,878	214,623
Capital outlay	934,000	1,291,982	236,780	1,055,202
Total expenditures	4,307,900	4,708,483	3,438,658	1,269,825
Revenues over (under) expenditures	(2,156,483)	(2,557,066)	(1,094,471)	1,462,595
<b>Other financing sources (uses)</b>				
Transfers in	1,665,744	1,665,744	1,644,367	(21,377)
Net change in fund balance	(490,739)	(891,322)	549,896	1,441,218
Fund balance, beginning of year	1,671,663	1,671,663	1,671,663	-
<b>Fund balance, end of year</b>	<b>\$ 1,180,924</b>	<b>\$ 780,341</b>	<b>\$ 2,221,559</b>	<b>\$ 1,441,218</b>

The accompanying notes are an integral part of the financial statements.

# **Proprietary Fund Financial Statements**

## **Major Funds**

**Sewage Disposal System Fund** – This fund accounts for the provision of sewage disposal services to the residents of the City.

**Municipal Parking System Fund** – This fund accounts for the operation of City-owned parking facilities.

## **Non-Major Funds**

Non-major proprietary funds are presented, by fund type, beginning on the pages listed below:

Enterprise funds, page 90.

Internal Service funds, page 98.

**City of Lansing**  
Statement of Net Assets  
Proprietary Funds  
June 30, 2005

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Sewage Disposal System</b>	<b>Municipal Parking System</b>	<b>Other Enterprise Funds</b>	<b>Totals</b>	
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 15,958,719	\$ 11,449	\$ 28,109	\$ 15,998,277	\$ -
Equity in pooled cash	-	7,306,798	1,538,976	8,845,774	396,226
Receivables:					
Accounts, net	3,165,142	86,470	228,767	3,480,379	1,693,597
Accrued interest	40,190	408,968	-	449,158	-
Lease receivable, current	-	2,181,954	-	2,181,954	-
Inventories	256,696	-	95,367	352,063	232,614
Prepays	-	-	-	-	467,013
Due from other funds	-	2,434	-	2,434	10,000
Interfund receivable	-	-	-	-	3,786,131
Restricted assets:					
Cash and cash equivalents	40,178,915	440,288	-	40,619,203	21,440
Accrued interest receivable	124,226	992	-	125,218	49
Total current assets	<u>59,723,888</u>	<u>10,439,353</u>	<u>1,891,219</u>	<u>72,054,460</u>	<u>6,607,070</u>
Noncurrent assets:					
Lease receivable	-	25,861,562	-	25,861,562	-
Bond issue costs	532,168	416,702	-	948,870	6,975
Capital assets, net	<u>274,354,880</u>	<u>56,327,581</u>	<u>9,645,501</u>	<u>340,327,962</u>	<u>4,605,265</u>
Total non-current assets	<u>274,887,048</u>	<u>82,605,845</u>	<u>9,645,501</u>	<u>367,138,394</u>	<u>4,612,240</u>
Total assets	<u>334,610,936</u>	<u>93,045,198</u>	<u>11,536,720</u>	<u>439,192,854</u>	<u>11,219,310</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	2,484,196	136,018	99,445	2,719,659	51,268
Deposits payable	-	66,974	-	66,974	-
Accrued interest payable	893,263	156,745	12,928	1,062,936	27,107
Accrued payroll	123,508	49,425	110,457	283,390	23,175
Other	-	-	-	-	1,157,155
Due to other funds	1,178,658	-	-	1,178,658	-
Interfund payable	-	-	391,227	391,227	-
Due to other governments	125,089	-	-	125,089	-
Unearned revenues	-	-	95,744	95,744	-
Current portion of:					
Long-term debt	8,670,000	5,315,000	55,000	14,040,000	110,000
Compensated absences	387,614	56,819	259,890	704,323	58,142
Total current liabilities	<u>13,862,328</u>	<u>5,780,981</u>	<u>1,024,691</u>	<u>20,668,000</u>	<u>1,426,847</u>
Noncurrent liabilities:					
Long-term debt	130,611,442	60,487,458	889,301	191,988,201	1,410,000
Compensated absences	293,570	67,954	145,883	507,407	54,478
Total non-current liabilities	<u>130,905,012</u>	<u>60,555,412</u>	<u>1,035,184</u>	<u>192,495,608</u>	<u>1,464,478</u>
Total liabilities	<u>144,767,340</u>	<u>66,336,393</u>	<u>2,059,875</u>	<u>213,163,608</u>	<u>2,891,325</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	135,605,606	19,527,484	8,701,200	163,834,290	3,065,133
Restricted for debt retirement	39,409,878	83,648	-	39,493,526	21,489
Unrestricted	<u>14,828,112</u>	<u>7,097,673</u>	<u>775,645</u>	<u>22,701,430</u>	<u>5,241,363</u>
Total net assets	<u>\$ 189,843,596</u>	<u>\$ 26,708,805</u>	<u>\$ 9,476,845</u>	<u>\$ 226,029,246</u>	<u>\$ 8,327,985</u>

The accompanying notes are an integral part of the financial statements

**City of Lansing**  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewage Disposal System	Municipal Parking System	Other Enterprise Funds	Totals	
Operating revenues					
Charges for services	\$ 26,498,586	\$ 7,728,469	\$ 5,676,749	\$ 39,903,804	\$ 13,294,223
Operating expenses					
Personal services	5,906,520	2,385,097	4,843,207	13,134,824	1,233,426
Purchase of goods and services	6,455,591	1,633,816	3,761,500	11,850,907	9,454,465
Depreciation	5,847,548	2,539,337	565,934	8,952,819	880,781
Total operating expenses	18,209,659	6,558,250	9,170,641	33,938,550	11,568,672
Operating income (loss)	8,288,927	1,170,219	(3,493,892)	5,965,254	1,725,551
Nonoperating revenues (expenses)					
Interest revenue	1,096,658	182,424	19,325	1,298,407	407
Gain on sale of capital assets	14,136	-	9,600	23,736	29,998
Interest expense and fees	(2,382,409)	(3,589,498)	(53,486)	(6,025,393)	(85,065)
Amortization of bond issue costs	(39,543)	-	-	(39,543)	(654)
Other revenue	392,170	1,900,221	-	2,292,391	-
Other expenses	-	(3,270)	-	(3,270)	-
Total nonoperating expenses	(918,988)	(1,510,123)	(24,561)	(2,453,672)	(55,314)
Income (loss) before contributions and transfers	7,369,939	(339,904)	(3,518,453)	3,511,582	1,670,237
Capital contributions	260,695	-	470,880	731,575	-
Transfers in	-	-	3,190,544	3,190,544	-
Transfers out	(300,000)	(750,000)	(17,109)	(1,067,109)	-
Change in net assets	7,330,634	(1,089,904)	125,862	6,366,592	1,670,237
Net assets, beginning of year, as restated	182,512,962	27,798,709	9,350,983	219,662,654	6,657,748
Net assets, end of year	\$ 189,843,596	\$ 26,708,805	\$ 9,476,845	\$ 226,029,246	\$ 8,327,985

The accompanying notes are an integral part of the financial statements.



**City of Lansing**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2005

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Sewage Disposal System</b>	<b>Municipal Parking System</b>	<b>Other Enterprise Funds</b>	<b>Totals</b>	
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 26,070,866	\$ 7,440,892	\$ 5,596,948	\$ 39,108,706	\$ -
Cash received from interfund services	-	-	-	-	11,600,591
Cash payments for goods and services	(8,206,082)	(4,962,850)	(3,980,947)	(17,149,879)	(4,034,945)
Cash payments to employees	(5,909,425)	(2,385,097)	(4,843,146)	(13,137,668)	(9,732,828)
Net cash provided by (used for) operating activities	11,955,359	92,945	(3,227,145)	8,821,159	(2,167,182)
<b>Cash flows from noncapital financing activities</b>					
Transfers in	-	-	3,190,544	3,190,544	-
Transfers out	(300,000)	(750,000)	(17,109)	(1,067,109)	-
Net cash provided by (used for) noncapital financing activities	(300,000)	(750,000)	3,173,435	2,123,435	-
<b>Cash flows from capital and related financing activities</b>					
Proceeds from sale of capital assets	14,136	-	9,600	23,736	29,998
Acquisition and construction of capital assets	(20,814,783)	(9,570,653)	(553,990)	(30,939,426)	(91,165)
Capital contributions received	260,695	-	470,880	731,575	-
Principal paid on revenue and general obligation bonds	(8,085,000)	(880,000)	(50,000)	(9,015,000)	(105,000)
Interest paid on revenue and general obligation bonds	(2,339,845)	(1,370,035)	(52,610)	(3,762,490)	(85,065)
Proceeds from issuance of long-term debt	12,079,560	350	-	12,079,910	-
Other receipts and disbursements	392,170	1,896,951	-	2,289,121	-
Payments received on capital lease	-	209,714	-	209,714	-
Net cash provided by (used for) capital and related financing activities	(18,493,067)	(9,713,673)	(176,120)	(28,382,860)	(251,232)
<b>Cash flows from investing activities</b>					
Interest and dividends	1,096,658	182,424	19,325	1,298,407	407
Net increase (decrease) in cash and cash equivalents	(5,741,050)	(10,188,304)	(210,505)	(16,139,859)	(2,418,007)
Cash and cash equivalents, beginning of year	61,878,684	17,946,839	1,777,590	81,603,113	2,835,673
<b>Cash and cash equivalents, end of year</b>	<b>\$ 56,137,634</b>	<b>\$ 7,758,535</b>	<b>\$ 1,567,085</b>	<b>\$ 65,463,254</b>	<b>\$ 417,666</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>					
<b>Operating income (loss)</b>	<b>\$ 8,288,927</b>	<b>\$ 1,170,219</b>	<b>\$ (3,493,892)</b>	<b>\$ 5,965,254</b>	<b>\$ 1,725,551</b>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	5,847,548	2,539,337	565,934	8,952,819	880,781
Change in:					
Accounts receivable	(271,920)	39,195	(79,801)	(312,526)	(1,693,597)
Accrued interest receivable	(155,800)	(326,772)	-	(482,572)	(35)
Inventory	29,680	-	19,760	49,440	22,010
Prepays	-	-	-	-	(467,013)
Due from other funds	3,793,677	(2,434)	-	3,791,243	(10,000)
Interfund receivable	-	-	-	-	(3,786,131)
Accounts payable	(531,429)	(1,051,002)	(26,920)	(1,609,351)	(3,935)
Deposits payable	-	(4,057)	-	(4,057)	-
Accrued interest payable	19,151	(3,897)	(600)	14,654	(1,872)
Accrued payroll	20,712	4,588	612	25,912	4,759
Other	-	-	-	-	1,157,155
Due to other funds	(5,129,654)	(1,234,226)	(632,814)	(6,996,694)	-
Interfund payable	-	-	391,227	391,227	-
Due to other governments	-	-	-	-	-
Deferred revenues	-	(1,026,886)	3,258	(1,023,628)	-
Compensated absences	44,467	(11,120)	26,091	59,438	5,145
Total adjustments	3,666,432	(1,077,274)	266,747	2,855,905	(3,892,733)
Net cash provided by (used for) operating activities	\$ 11,955,359	\$ 92,945	\$ (3,227,145)	\$ 8,821,159	\$ (2,167,182)

The accompanying notes are an integral part of the financial statements.

## **Fiduciary Fund Financial Statements**

**Pension (and Other Post Employment Benefits) Trust Funds** – Employee Pension Trust funds accept payments made by the City, invest fund resources, and calculate and pay pensions to beneficiaries.

Combining schedules for fiduciary funds are presented in the notes to the financial statements.

**Agency Funds** – These funds account for resources held in a trustee or agent capacity for the 54-A District Court.

Combining statements for agency funds are presented, by fund type, beginning on page 102.

**City of Lansing**  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2005

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 6,995,222	\$ 80,000
Equity in pooled cash	-	223,509
Investments:		
U. S. Government obligations	120,491,919	-
Corporate bonds	31,468,749	-
Common stocks	128,306,125	-
Mutual funds	177,630,962	-
Contribution receivable	1,263,540	-
Dividends and interest receivable	1,301,600	-
	<u>467,458,117</u>	<u>\$ 303,509</u>
<b>Liabilities</b>		
Accounts payable	531,263	-
Undistributed receipts	-	303,509
	<u>531,263</u>	<u>\$ 303,509</u>
<b>Net assets held in trust for pension benefits</b>	<u>\$ 466,926,854</u>	

The accompanying notes are an integral part of the financial statements.

**City of Lansing**  
Statement of Changes in Fiduciary Net Assets  
Pension Trust Funds  
For the Year Ended June 30, 2005

**Additions**

Investment income:	
Net appreciation in fair value of investments	\$ 28,642,540
Interest income	7,939,839
Dividend income	1,769,952
Less investment expenses	<u>(1,475,211)</u>
Net investment income	<u>36,877,120</u>
Contributions:	
Employer	9,890,897
Plan members	<u>3,713,832</u>
Total contributions	<u>13,604,729</u>
Total additions	<u>50,481,849</u>

**Deductions**

Participant benefits	33,403,298
Administrative expense	<u>61,696</u>
Total deductions	<u>33,464,994</u>

Net additions (deductions) to net assets held in trust	17,016,855
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**Net assets held in trust for pension benefits:**

Beginning of year, as restated	<u>449,909,999</u>
<b>End of year</b>	<u><u>\$ 466,926,854</u></u>

The accompanying notes are an integral part of the financial statements.

**COMPONENT UNITS  
FINANCIAL STATEMENTS**

## **Discretely Presented Component Units**

Discretely presented component units are entities that are legally separate from the City but for which the City is financially accountable, or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The City has three discretely presented component units:

- Brownfield Redevelopment Authority
- Tax Increment Financing Authority
- Lansing Entertainment and Public Facilities Authority

Complete financial statements for each of the individual component units may be obtained from the entity's administrative offices.

**City of Lansing**  
Combining Statement of Net Assets  
Component Units  
June 30, 2005

	<b>Brownfield Redevelopment Authority</b>	<b>Tax Increment Finance Authority</b>	<b>Lansing Entertainment &amp; Public Facilities Authority</b>	<b>Totals</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 691,654	\$ 158,863	\$ 138,612	\$ 989,129
Receivables, net	26,003	1,945	563,004	590,952
Inventories, prepaids and other assets	81,518	47,662	114,630	243,810
Restricted assets:				
Cash and cash equivalents	-	-	437,009	437,009
Receivables, net	-	-	33,884	33,884
Capital assets being depreciated, net	-	-	193,900	193,900
<b>Total assets</b>	<u>799,175</u>	<u>208,470</u>	<u>1,481,039</u>	<u>2,488,684</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	365,439	16,150	428,203	809,792
Accrued interest payable	17,429	7,750,917	-	7,768,346
Unearned revenues	-	-	636,591	636,591
Long-term liabilities:				
Due within one year	-	2,181,954	31,343	2,213,297
Due in more than one year	<u>2,225,000</u>	<u>32,779,695</u>	<u>135,885</u>	<u>35,140,580</u>
<b>Total liabilities</b>	<u>2,607,868</u>	<u>42,728,716</u>	<u>1,232,022</u>	<u>46,568,606</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	-	-	26,672	26,672
Unrestricted (deficit)	<u>(1,808,693)</u>	<u>(42,520,246)</u>	<u>222,345</u>	<u>(44,106,594)</u>
<b>Total net assets (deficit)</b>	<u>\$ (1,808,693)</u>	<u>\$(42,520,246)</u>	<u>\$ 249,017</u>	<u>\$ (44,079,922)</u>

The accompanying notes are an integral part of the financial statements.

**City of Lansing**  
Combining Statement of Activities  
Component Units  
For the Year Ended June 30, 2005

	<b>Brownfield Redevelopment Authority</b>	<b>Tax Increment Finance Authority</b>	<b>Lansing Entertainment &amp; Public Facilities Authority</b>	<b>Totals</b>
<b>Expenses</b>				
Brownfield redevelopment	\$ 2,300,366	\$ -	\$ -	\$ 2,300,366
Community development	-	3,988,547	-	3,988,547
Recreation and culture	-	-	6,196,632	6,196,632
Total expenses	<u>2,300,366</u>	<u>3,988,547</u>	<u>6,196,632</u>	<u>12,485,545</u>
<b>Program revenues</b>				
Charges for services	25,500	-	4,990,223	5,015,723
Operating grants and contributions	<u>89,527</u>	<u>-</u>	<u>966,499</u>	<u>1,056,026</u>
Total program revenues	<u>115,027</u>	<u>-</u>	<u>5,956,722</u>	<u>6,071,749</u>
Net program expense	<u>(2,185,339)</u>	<u>(3,988,547)</u>	<u>(239,910)</u>	<u>(6,413,796)</u>
<b>General revenues</b>				
Property taxes	295,079	4,932,560	-	5,227,639
Unrestricted investment earnings	<u>20,429</u>	<u>32,929</u>	<u>2,671</u>	<u>56,029</u>
Total general revenues	<u>315,508</u>	<u>4,965,489</u>	<u>2,671</u>	<u>5,283,668</u>
Change in net assets	(1,869,831)	976,942	(237,239)	(1,130,128)
Net assets (deficit), beginning of year	<u>61,138</u>	<u>(43,497,188)</u>	<u>486,256</u>	<u>(42,949,794)</u>
<b>Net assets (deficit), end of year</b>	<u><u>\$ (1,808,693)</u></u>	<u><u>\$ (42,520,246)</u></u>	<u><u>\$ 249,017</u></u>	<u><u>\$(44,079,922)</u></u>

The accompanying notes are an integral part of the financial statements.



## NOTES to the FINANCIAL STATEMENTS

# City of Lansing, Michigan

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### Notes to the Financial Statements

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# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1-A. Reporting Entity

The City of Lansing (the “City”) was incorporated in 1859. In 1909, the City came under the provisions of Act 279, P.A. 1909, as amended (“Home Rule City Act”). The City operates under a strong Mayor form of government in which the Mayor is responsible for implementation and administration of City policy as established by City Council.

The accounting and reporting policies of the City conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB’s Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). Following is a summary of the significant policies:

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The financial data of the component units are included in the City’s reporting entity because of the significance of their operational or financial relationships with the City.

- (1) **Blended Component Units:** A blended component unit is a legally separate entity from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and its financial data is combined with data of the appropriate funds. The City has one blended component unit, the Building Authority with a fiscal June 30 year-end. This component unit provides services primarily to benefit the City. The blended unit is described as follows:
  - (a) **Building Authority (the “Authority”):** The Authority was established by the City under Act 31, Michigan Public Acts of 1948. The Mayor, with the advice and consent of City Council, appoints the Authority’s governing body and designates management. The Authority uses the proceeds of its tax-exempt bonds to finance the construction or acquisition of capital assets for the City only. The bonds are secured by lease agreements with the City and will be retired through lease payments from the City. The financial activity, assets, liabilities and equity of the Authority are incorporated within the City’s Municipal Parking System and Golf enterprise funds, the 1998 Building Authority Debt Service Fund and the Building Authority Firing Range Capital Projects Fund.
- (2) **Discretely Presented Component Units:** Discretely presented component units are entities that are legally separate from the City but for which the City is financially accountable, or their relationship with the City is such that exclusion would cause the City’s financial statements to be misleading or incomplete. The City has three discretely presented component units, the Brownfield Redevelopment Authority, the Tax Increment Financing Authority and the Lansing Entertainment and Public Facilities Authority, each with a fiscal June 30 year-end. The discretely presented component units are as follows:

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

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- (a) **Brownfield Redevelopment Authority:** The Authority was established by the City on August 17, 1997, under the authority contained in Act 381, Michigan Public Acts of 1996 (the Act). The Act authorizes the City to establish and to designate the boundaries of a Brownfield redevelopment zone. The Authority is appointed by City Council to preside over such a zone, and it is authorized to promote the revitalization of environmentally distressed areas within the City of Lansing. The Act allows the Authority to participate in a broad range of improvement activities intended to encourage the reuse of industrial and commercial property by offering economic incentives for redevelopment to prevent property value deterioration. Tax increment financing plans must be approved by the City.

Tax increment financing permits the Authority to capture tax revenues which are attributable to increases in the value of real and personal property located within an approved project area. Current activities of the Authority include collections of property tax revenues on project areas for the Rite Aid Pharmacy and the former Motor Wheel Site Plant.

- (b) **Tax Increment Finance Authority (“TIFA”):** The TIFA was established by the City under the authority contained in Act 450, Michigan Public Acts of 1981. The Act authorizes the City to designate specific districts within its corporate limits as TIFA districts. The TIFA presides over such districts, formulating plans for public improvements, economic development, neighborhood revitalization, and historic preservation within the districts. The Act allows the TIFA to participate in a broad range of improvement activities intended to contribute to economic growth and prevent property value deterioration. The TIFA’s governing body is appointed by the Mayor with the advice and consent of the City Council. Bond issuances, to fund the above activities, are approved by the City Council and the legal liability for the debt remains with the City.

- (c) **Lansing Entertainment and Public Facilities Authority (“LEPFA”):** LEPFA was established under the charter of the City of Lansing in February 1996, replacing the former Greater Lansing Convention/Exhibition Authority, which had been responsible for operating and managing the Lansing Center and the Lansing Civic Arena (the latter through the fiscal year ended June 30, 1995). LEPFA was established to oversee the management and operations of the Lansing Center, the City Market and the Oldsmobile Park stadium. It assumed the oversight responsibilities of the City Market and Oldsmobile Park commencing July 1, 1996.

The Authority is chartered as a building authority under the provisions of Act 31, Public Acts of Michigan, 1948. In the event of dissolution or termination of the Authority, all assets and rights of the Authority shall revert to the City. The Authority's Board of Commissioners consists of thirteen members appointed by the Mayor of the City of Lansing and approved by the City Council.

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

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**Component Unit Financial Statements:** Complete financial statements for each of the individual component units may be obtained from the entity's administrative offices.

City of Lansing Building Authority  
8th Floor  
124 West Michigan Avenue  
Lansing, Michigan 48933

Brownfield Redevelopment Authority  
316 N. Capital Ave.  
Lansing, Michigan 48933

Tax Increment Finance Authority  
316 N. Capital Ave.  
Lansing, Michigan 48933

Lansing Entertainment and Public Facility Authority  
333 East Michigan Avenue  
Lansing, Michigan 48933

### 1-B. Basis of Presentation

*Government-wide Financial Statements.* The statements of net assets and activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the City's *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements.* The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category – *governmental*, *proprietary* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

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The City reports the following major governmental funds:

*General fund.* This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Major Streets Fund.* This fund accounts for revenues received from the State of Michigan for the City's share of state gasoline and weight taxes, which is used for maintenance of major streets.

*Local Streets Fund.* This fund accounts for revenues received from the State of Michigan for the City's share of state gasoline and weight taxes, which is used for maintenance of local streets.

The City reports the following major enterprise funds:

*Sewage Disposal System Fund.* This fund accounts for the provision of sewage disposal services to the residents of the City.

*Municipal Parking System Fund.* This fund accounts for the operating of City-owned parking facilities.

Additionally, the City reports the following fund types:

*Special revenue funds.* These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

*Debt service funds.* These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

*Capital projects funds.* These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

*Permanent funds.* These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

*Enterprise funds.* These funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

*Internal service funds.* These funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes operating a maintenance facility for trucks and equipment used by the Public Service Department, and health care self-insurance services.

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

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*Pension Trust Funds* – These funds account for the accumulation of resources to be used for retirement annuity payments to eligible full-time employees of the City, certain healthcare costs, and other retirement distributions.

*Agency Funds* – These funds account for resources held in a trustee or agent capacity for the 54-A District Court.

### **1-C. Measurement Focus / Basis of Accounting**

*Government-wide, Proprietary and Fiduciary Fund Financial Statements.* The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within three months after year-end, except for income taxes that use a 45-day collection period and reimbursement-based grants that use one year. Property taxes, income taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues, subject to satisfying any grant program matching provisions.

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

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All governmental and business-type activities and enterprise funds of the City follow private-sector standards of accounting and financial reported issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

### **1-D. Assets, Liabilities and Equity**

#### **Deposits and Investments**

The City maintains an investment pool for all City funds. Each fund's portion of the investment pool is displayed on the statement of net assets/balance sheet as "equity in pooled cash." The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Unrealized appreciation or depreciation on pension trust fund investments due to changes in fair value are recognized each year.

#### **Receivables and Payables**

All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles, as applicable.

Certain notes receivable in governmental funds consist of rehabilitation and redevelopment loans that are generally not expected or scheduled to be collected in the subsequent year.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund receivables/payables* (i.e., the current portion of interfund loans) or *advances to/from other funds* (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.



# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

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### **Inventories, Prepaid Items and Other Assets**

All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items acquired or constructed since June 30, 1980), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets that are used for governmental activities are only reported in the government-wide statements. Infrastructure (“public domain”) assets, including roads, bridges, sanitary sewers, drains, curbs, and gutters are capitalized. With this measurement focus, all assets and liabilities (whether current or noncurrent) associated with the operations of these funds are included on the government-wide statement of net assets.

All land and non-depreciable land improvements are capitalized, regardless of cost. Equipment and vehicles are capitalized when the cost of individual items exceed \$5,000. The road and sewer networks are all capitalized regardless of cost. Buildings are capitalized over \$100,000, and the recreational facilities’ thresholds range from \$25,000 to \$50,000.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<b><u>Assets</u></b>	<b><u>Years</u></b>
Buildings	20-50
Improvements	8-50
Equipment	3-15
Sanitary sewers	50
Infrastructure	10-75

### **Compensated Absences**

It is the government’s policy to permit employees to accumulate earned but unused vacation and compensatory time benefits, subject to certain limitations. Certain bargaining unit employees are also permitted to accumulate earned but unused sick leave. All vacation and compensatory time pay and 50 percent of sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

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### **Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Fund balance designations represent tentative management plans that are subject to change.

## **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **2-A. Budgetary Information**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before the fourth Monday in March, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing on the proposed use of funds is held by the Mayor, and a public hearing on the annual appropriations as proposed by the City Council is held no later than one week prior to adoption of the annual appropriation measure.
- Not later than the third Monday in May, the Council adopts a budget for the ensuing fiscal year, makes an appropriation of the money needed therefore, and sets the property tax rate necessary to support the appropriations measure.

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

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- The appropriated budget is prepared by fund, department and the mandatory expenditure accounts as established by the State of Michigan's Uniform Chart of Accounts. The legal level of budgetary control is the mandatory expenditure accounts level. The mandatory accounts are personal services, supplies and operating expense, capital outlay, debt service, transfers and contingency. Transfers of appropriations between the mandatory accounts require the approval of the City Council. However, the Mayor may authorize budget transfers between mandatory accounts in a department, but the additional amount may not exceed fifteen (15%) of the Council's appropriation being added to, or five thousand dollars (\$5,000), whichever is less. Budget-to-actual schedules that demonstrate compliance at the legal level of budgetary control are not included herein as it would be impractical due to the high level of detail that would be needed. Such schedules are included in the City's separately issued Budget Report. Copies of the report may be obtained from the Finance Department, 124 West Michigan Avenue, Lansing, Michigan 48933.
- The City formally adopts operating budgets for the General Fund and all Special Revenue Funds.
- Budgetary integration is employed as a management control device during the year for all budgeted funds. Except for the General Fund, these budgets are adopted on a basis consistent with generally accepted accounting principles ("GAAP"). In the General Fund, capital lease payments / installment payments are budgeted, but capital lease acquisitions are not.
- Appropriations lapse at year-end for all annual budgets. Appropriations are automatically carried forward for project-type budgets.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

### **2-B. Excess of Expenditures Over Appropriations**

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the City were adopted on a departmental activity basis level.

Expenditures in the public safety function of the Drug Law Enforcement special revenue fund exceeded the approved budget by \$306,099.

### **2-C. Deficit Fund Balance/Net Assets**

The Special Assessments capital projects funds has a deficit fund balance of \$592,535. This deficit is the result of a long-term advance from the general fund that was used to provide the working capital for the fund in prior years. As special assessments are collected, this deficit will be eliminated, and the advance repaid.

The Golf Enterprise Fund has a deficit in its unrestricted net assets of \$458,081. Total net assets amount to \$1,517,769.

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

### NOTE 3 – DETAILED NOTES ON ALL FUNDS

#### 3-A. Deposits and Investments

Following is a reconciliation of deposit and investment balances (including both pooled cash and investments as well as pension trust fund balances; see Note 3-B) as of June 30, 2005:

##### Statement of Net Assets

Cash and investments	\$ 53,430,545
Restricted cash and investments	40,640,643

##### Statement of Fiduciary Net Assets

Pension trust funds:	
Cash and cash equivalents	6,995,222
Investments	457,897,755
Agency fund:	
Cash and cash equivalents	80,000
Equity in pooled cash	<u>223,509</u>

<b>Total</b>	<b><u>\$ 559,267,674</u></b>
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##### Deposits and Investments:

Bank deposits:	
Checking/savings accounts	\$ 12,734,553
Certificates of deposit (due within one year)	50,399,237
Investments in securities and mutual funds:	
Pooled investments	31,037,593
Pension investments	464,892,977
Cash on hand	<u>203,314</u>

<b>Total</b>	<b><u>\$ 559,267,674</u></b>
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The City chooses to disclose its pooled investments by specifically identifying each. As of year end, the City had the following pooled investments.

	<b><u>Carrying Amount (Fair Value)</u></b>	<b><u>Credit Rating</u></b>
Mutual and cash management funds (uncategorized as to risk)	<b><u>\$ 31,037,593</u></b>	<b>-n/a-</b>

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

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*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable, have been identified above for the City's investments.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year end, \$63,457,117 of the City's bank balance of \$64,343,248 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The City's investment policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

### **3-B. Deposits, Investments and Securities Lending – Pension Trust Funds**

The deposits and investments of the City's pension trust funds are maintained separately from the City's pooled cash and investments, and are subject to separate investment policies and state statutes. Accordingly, the required disclosures for the pension deposits and investments are presented separately.

**Deposits** - The pension trust funds do not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and cash equivalents in the statement of plan net assets are composed entirely of short-term investments in money market accounts.

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

**Investments** - The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the pension trust funds to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The retirement boards have the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the pension trust funds' assets. All investment decisions are subject to Michigan law and the investment policy established by the retirement boards.

The investments of each pension trust fund are held in a bank-administered trust fund. Following is a summary of pension investments as of June 30, 2005:

	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
Investments at fair value, as determined by quoted market price:					
U.S. treasuries:					
Not on securities loan	\$ 1,710,678	\$ 2,257,654	\$ -	\$ -	\$ 3,968,332
On securities loan	13,446,485	16,427,055	-	-	29,873,540
U.S. agencies:					
Not on securities loan	32,299,815	42,031,096	-	-	74,330,911
On securities loan	2,954,214	4,174,721	-	-	7,128,935
Domestic corporate securities:					
Not on securities loan	10,624,291	14,757,062	-	-	25,381,353
On securities loan	1,483,019	1,818,467	-	-	3,301,486
International corporate securities:					
Not on securities loan	481,766	673,897	-	-	1,155,663
On securities loan	301,881	391,776	-	-	693,657
Asset backed securities	3,238,644	4,073,681	-	-	7,312,325
Collateralized mortgage obligations	590,194	756,671	-	-	1,346,865
Domestic equities:					
Not on securities loan	15,976,863	21,566,044	-	-	37,542,907
On securities loan	2,938,261	4,201,289	-	-	7,139,550
International equities:					
Not on securities loan	436,982	672,909	-	-	1,109,891
On securities loan	102,204	159,318	-	-	261,522
Real estate investment funds	12,379,979	16,506,385	-	-	28,886,364
International equity mutual funds	57,806,582	85,647,605	-	-	143,454,187
Domestic equity mutual funds	33,417,177	48,835,078	-	1,232,528	83,484,783
Domestic securities mutual funds	-	-	-	1,234,498	1,234,498
Money market funds	2,578,318	1,889,058	2,818,832	-	7,286,208
<b>Total investments</b>	<b>\$ 192,767,353</b>	<b>\$ 266,839,766</b>	<b>\$ 2,818,832</b>	<b>\$ 2,467,026</b>	<b>\$ 464,892,977</b>

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

*Credit Risk.* The City's pension investment policies provide that at least 90% of its investments in fixed income securities be rated BBB- or better by a nationally recognized statistical rating organization and the remaining 10% be rated at least B- or better. The City's pension investments were rated by Standard & Poor's as follows:

	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
AAA	\$ 7,231,580	\$ 10,437,612	\$ -	\$ -	\$ 17,669,192
AA-	834,830	863,598	-	-	1,698,428
A+	158,567	206,137	-	-	364,704
A	1,317,812	1,495,465	-	-	2,813,277
A-	682,696	259,225	-	-	941,921
BBB+	2,896,212	3,889,212	-	-	6,785,424
BBB	1,921,011	2,552,235	-	-	4,473,246
BBB-	2,344,123	3,594,074	-	-	5,938,197
BB+	1,313,231	1,686,150	-	-	2,999,381
BB	174,007	227,547	-	-	401,554
BB-	718,080	925,878	-	-	1,643,958
Not rated	32,381,675	42,540,238	-	1,234,498	76,156,411
Assets not subject to credit risk	140,793,529	198,162,395	2,818,832	1,232,528	343,007,284
	<b>\$ 192,767,353</b>	<b>\$ 266,839,766</b>	<b>\$ 2,818,832</b>	<b>\$ 2,467,026</b>	<b>\$ 464,892,977</b>

*Custodial Credit Risk.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's pension investment policies require that investment securities be held in trust by a third-party institution in the name of the pension trust fund. As such, although uninsured and unregistered, the City's pension investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the name of the pension trust fund.

Short-term investments in money market funds are not subject to custodial credit risk.

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

*Concentration of Credit Risk.* At June 30, 2005, the pension investment portfolio was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>Employees' Retirement System</u>	<u>Police and Fire Retirement System</u>
U.S. Agencies	FHLMC	6.6%	6.5%
U.S. Agencies	FNMA	10.2%	9.1%

The City's pension investment policies require diversification of fixed income securities; however, they do not specify percentages of dollar amounts by industry or issuer.

*Interest Rate Risk.* As of June 30, 2005, maturities of the City's pension debt securities were as follows:

	<u>Investment Maturities (Fair Value)</u>				<u>Total</u>
	<u>Less than 1 year</u>	<u>1 - 5 years</u>	<u>6 - 10 years</u>	<u>More than 10 years</u>	
<b>Employees' Retirement System:</b>					
U.S. treasuries	\$ 2,969,577	\$ 4,124,829	\$ 1,398,457	\$ 6,664,300	\$ 15,157,163
U.S. agencies	1,506,268	6,321,014	8,970,037	18,456,710	35,254,029
Domestic corporate securities	706,539	5,806,014	3,918,565	1,676,192	12,107,310
International corporate securities	-	510,195	273,452	-	783,647
Asset backed securities	-	1,698,845	759,999	779,800	3,238,644
Collateralized mortgage obligations	-	-	-	590,194	590,194
	<u><b>\$ 5,182,384</b></u>	<u><b>\$ 18,460,897</b></u>	<u><b>\$ 15,320,510</b></u>	<u><b>\$ 28,167,196</b></u>	<u><b>\$ 67,130,987</b></u>
<b>Police and Fire Retirement System:</b>					
U.S. treasuries	\$ 3,368,834	\$ 5,001,714	\$ 1,314,086	\$ 9,000,075	\$ 18,684,709
U.S. agencies	2,329,680	7,676,746	14,594,099	21,605,292	46,205,817
Domestic corporate securities	282,775	8,831,149	5,281,526	2,180,079	16,575,529
International corporate securities	-	717,214	348,459	-	1,065,673
Asset backed securities	-	2,527,290	536,683	1,009,708	4,073,681
Collateralized mortgage obligations	-	-	-	756,671	756,671
	<u><b>\$ 5,981,289</b></u>	<u><b>\$ 24,754,113</b></u>	<u><b>\$ 22,074,853</b></u>	<u><b>\$ 34,551,825</b></u>	<u><b>\$ 87,362,080</b></u>

The City's pension investment policies provide that the average duration of fixed income securities shall not deviate from the Lehman Brothers Aggregate Index duration by +/-20%.



# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

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*Securities Lending.* Under contracts approved by the City, the pension trust funds are permitted to lend their securities to broker-dealers and banks (borrowers) for collateral that will be returned for the same securities in the future. The pension trust funds' custodial banks manage the securities lending programs and receive cash as collateral. The collateral securities cannot be pledged or sold by the City unless the borrower defaults. Collateral cash is initially pledged at 100 percent of the fair value of the securities lent, and may not fall below 95 percent of the market value of the loaned security during the term of the loan. At all times, collateral cannot be more than \$100,000 less than the market value of the loaned security. There are no restrictions on the amount of securities that can be loaned. Securities on loan at year-end are classified in the preceding schedule of custodial credit risk according to the category for the collateral received on the securities lent. At year-end, the pension trust funds have no credit risk exposure to borrowers because the amounts the City owes the borrowers exceed the amounts the borrowers owe the City. The contract with the pension trust fund custodians require them to indemnify the City if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the City for income distributions by the securities' issuers while the securities are on loan.

### 3-C. Receivables

Receivables are comprised of the following:

	<b><u>Governmental Activities</u></b>	<b><u>Business- Type Activities</u></b>
Accounts receivable, net	\$ 11,527,156	\$ 3,480,379
Taxes receivable	4,226,670	-
Special assessments receivable	966,319	-
Loans receivable	1,412,913	-
Accrued interest receivable	1,530,680	449,158
Due from other governments	11,538,263	-
Lease receivable	<u>-</u>	<u>28,043,516</u>
	<b><u>\$ 31,202,001</u></b>	<b><u>\$ 31,973,053</u></b>
Amount not expected to be collected within one year	<b><u>\$ 3,775,279</u></b>	<b><u>\$ 25,861,562</u></b>

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

### 3-D. Capital Assets

Capital assets activity for the year ended June 30, 2005, was as follows:

#### Primary government

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental activities</b>				
Capital assets, not being depreciated -				
Land	\$ 24,578,668	\$ 75,000	\$ -	\$ 24,653,668
Construction in progress	4,033,345	3,762,600	(2,427,174)	5,368,771
Total capital assets not being depreciated	<u>28,612,013</u>	<u>3,837,600</u>	<u>(2,427,174)</u>	<u>30,022,439</u>
Capital assets, being depreciated:				
Land improvements	7,956,683	230,968	-	8,187,651
Equipment and vehicles	34,005,199	1,460,993	(1,131,572)	34,334,620
Buildings	87,204,400	853,263	-	88,057,663
Infrastructure	320,697,655	4,971,886	(4,118,154)	321,551,387
Total capital assets being depreciated	<u>449,863,937</u>	<u>7,517,110</u>	<u>(5,249,726)</u>	<u>452,131,321</u>
Less accumulated depreciation for:				
Land improvements	(3,501,688)	(403,608)	-	(3,905,296)
Equipment and vehicles	(27,262,053)	(2,364,337)	1,131,572	(28,494,818)
Buildings	(36,808,738)	(2,314,678)	-	(39,123,416)
Infrastructure	(182,781,435)	(9,095,054)	2,899,528	(188,976,961)
Total accumulated depreciation	<u>(250,353,914)</u>	<u>(14,177,677)</u>	<u>4,031,100</u>	<u>(260,500,491)</u>
Total capital assets, being depreciated, net	<u>199,510,023</u>	<u>(6,660,567)</u>	<u>1,218,626</u>	<u>191,630,830</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$228,122,036</u></b>	<b><u>\$ (2,822,967)</u></b>	<b><u>\$ 1,208,548</u></b>	<b><u>\$221,653,269</u></b>

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets, not being depreciated -				
Land	\$ 22,581,816	\$ 33,600	\$ -	\$ 22,615,416
Construction-in-progress	89,270,117	21,023,681	(52,018,089)	58,275,709
Total capital assets not being depreciated	<u>111,851,933</u>	<u>21,057,281</u>	<u>(52,018,089)</u>	<u>80,891,125</u>
Capital assets, being depreciated:				
Land improvements	22,483,487	1,059,997	(14,969)	23,528,515
Equipment and vehicles	5,439,734	159,196	(329,606)	5,269,324
Buildings	168,265,046	24,732,774	(10,540)	192,987,280
Sewers	129,860,728	35,973,825	-	165,834,553
Total capital assets being depreciated	<u>326,048,995</u>	<u>61,925,792</u>	<u>(355,115)</u>	<u>387,619,672</u>
Less accumulated depreciation for:				
Land improvements	(8,826,700)	(603,215)	2,994	(9,426,921)
Equipment and vehicles	(4,069,811)	(280,132)	329,606	(4,020,337)
Buildings	(76,535,556)	(4,875,357)	2,108	(81,408,805)
Sewers	(30,127,506)	(3,199,266)	-	(33,326,772)
Total accumulated depreciation	<u>(119,559,573)</u>	<u>(8,957,970)</u>	<u>334,708</u>	<u>(128,182,835)</u>
Total capital assets, being depreciated, net	<u>206,489,422</u>	<u>52,967,822</u>	<u>(20,407)</u>	<u>259,436,837</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 318,341,355</u></b>	<b><u>\$ 74,025,103</u></b>	<b><u>\$ (52,038,496)</u></b>	<b><u>\$ 340,327,962</u></b>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 397,779
Public safety	1,242,985
Public works	9,121,706
Recreation	1,234,248
Community development	1,300,178
Internal service	<u>880,781</u>
<b>Total depreciation expense - governmental activities</b>	<b><u>\$ 14,177,677</u></b>
Business-type activities:	
Sewage disposal system	\$ 5,847,547
Potter Park Zoo	386,944
Golf	124,889
Municipal parking system	2,544,489
Other	<u>54,101</u>
<b>Total depreciation expense - business-type activities</b>	<b><u>\$ 8,957,970</u></b>

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

### 3-E. Payables

Accounts payable and accrued liabilities are comprised of the following:

	<b><u>Governmental Activities</u></b>	<b><u>Business- Type Activities</u></b>
Accounts payable	\$ 4,091,354	\$ 2,719,659
Deposits payable	366,746	66,974
Accrued payroll	3,552,314	283,390
Contract retainage payable	1,291,810	-
Indemnity bonds	24,715	-
Due to other governments	1,212,496	125,089
Other	<u>2,292,844</u>	<u>                    </u>
	<b><u>\$ 12,832,279</u></b>	<b><u>\$ 3,195,112</u></b>

### 3-F. Interfund Receivables, Payables and Transfers

At June 30, 2005, amounts due to/due from other funds were as follows:

	<b><u>Due From</u></b>			
	<b><u>General Fund</u></b>	<b><u>Nonmajor Governmental Funds</u></b>	<b><u>Sewage Disposal System</u></b>	<b><u>Total</u></b>
<b>Due to:</b>				
General Fund	\$ -	\$ 290,958	\$ 1,178,658	\$ 1,469,616
Nonmajor governmental funds	400	-	-	400
Municipal Parking System	2,434	-	-	2,434
Internal service funds	10,000	-	-	10,000
	<u>\$ 12,834</u>	<u>\$ 290,958</u>	<u>\$ 1,178,658</u>	<u>\$ 1,482,450</u>

The above balances generally resulted from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

At June 30, 2005, advances to/due from other funds were as follows:

	<b>Advances To Other Funds</b>	<b>Advances From Other Funds</b>
General Fund	\$ 639,944	\$ -
Special Assessments Capital Projects	-	639,944
	<u>\$ 639,944</u>	<u>\$ 639,944</u>

In addition, at June 30, 2005, the following interfund receivables/payables were reported for funds with negative equity in pooled cash and investments:

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
General Fund	\$ -	\$ 2,655,977
Nonmajor governmental funds	7,195,080	7,934,007
Nonmajor enterprise funds	-	391,227
Internal service funds	3,786,131	-
	<u>\$ 10,981,211</u>	<u>\$ 10,981,211</u>

For the year then ended, interfund transfers consisted of the following:

	<b>Transfer To</b>				
	<b>General Fund</b>	<b>Local Streets</b>	<b>Nonmajor Governmental Funds</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>
<b>Transfer From</b>					
General Fund	\$ -	\$ -	\$ 4,152,407	\$ 3,164,184	\$ 7,316,591
Major Streets	-	1,644,367	-	-	1,644,367
Nonmajor governmental funds	1,375,536	-	35,510	26,360	1,437,406
Sewage Disposal System	300,000	-	-	-	300,000
Municipal Parking System	-	-	750,000	-	750,000
Nonmajor enterprise funds	-	-	17,109	-	17,109
	<u>\$ 1,675,536</u>	<u>\$ 1,644,367</u>	<u>\$ 4,955,026</u>	<u>\$ 3,190,544</u>	<u>\$ 11,465,473</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

### 3-G. Long-term Debt

*General obligation bonds.* The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 30-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

	Interest Rate	Original Amount	Amount
<b>General obligation bonds</b>			
<i>Governmental activities</i>			
1996 Unlimited Tax Refunding Bond	5.00%	\$ 10,800,000	\$ 5,480,000
1998 Building Authority Limited Tax Bond	4.00% -5.00%	2,175,000	1,685,000
1999 Fire Station Unlimited Tax Bond	5.00% -5.70%	3,000,000	2,540,000
2001 Fire Station Unlimited Tax Bond	4.00% -5.00%	4,000,000	3,615,000
		<u>\$ 19,975,000</u>	<u>\$ 13,320,000</u>
<i>Business-type activities</i>			
1986 Building Authority Municipal Parking System Limited Tax Bond	2.50%	\$ 800,000	\$ 70,000
1990 Building Authority Municipal Parking System Limited Tax Bond	0.00%	64,635,000	41,410,000
1995 Building Authority Municipal Parking System Limited Tax Bond	5.00%	25,100,000	15,930,000
2003 Building Authority A Municipal Parking System Limited Tax Bond	6.63%	10,340,000	10,340,000
2003 Building Authority B Municipal Parking System Taxable Bond	2.50%	8,660,000	8,660,000
1996 Building Authority Golf Course Limited Tax Bond	2.50%	1,300,000	950,000
1992 Limited Tax Sewer Bond - 5005-01	2.50%	7,128,800	3,550,000
1993 Limited Tax Sewer Bond - 5005-02	2.50%	8,150,050	4,320,000
1994 Limited Tax Sewer Bond - 5005-03	2.50%	3,234,722	1,860,000
1994 Limited Tax Sewer Bond - 5005-04	2.00%	3,727,138	2,057,138
1994 Limited Tax Sewer Bond - 5005-05	2.25%	515,969	260,000
1994 Limited Tax Sewer Bond - 5005-06	2.25%	7,595,611	4,260,000
1996 Limited Tax Sewer Bond - 5005-07	2.25%	3,365,073	2,170,073
1996 Limited Tax Sewer Bond - 5005-08	2.25%	3,995,000	2,795,000
1997 Limited Tax Sewer Bond - 5005-09	2.25%	4,746,780	3,451,780
1998 Limited Tax Sewer Bond - 5005-10	2.25%	10,539,950	8,184,950
1999 Limited Tax Sewer Bond - 5005-11	2.50%	8,951,225	6,876,225
2000 Limited Tax Sewer Bond - 5005-12	2.50%	8,548,551	6,953,551
2001 Limited Tax Sewer Bond - 5005-13	2.50%	10,521,095	9,216,095
2002 Limited Tax Sewer Bond - 5005-14	2.50%	13,416,816	12,886,816
2003 Limited Tax Sewer Bond - 5005-15	2.50%	10,259,826	10,259,826
2004 Limited Tax Sewer Bond - 5005-16	2.13%	3,070,277	3,070,277
2005 Limited Tax Sewer Bond - 5005-17	2.13%	4,739,023	4,739,023
2005 Limited Tax Sewer Bond - 5005-18	1.63%	759,031	759,031
		<u>\$ 224,099,937</u>	<u>\$ 165,029,785</u>

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

*Special assessment bonds.* The City also issues bonds to finance certain public improvements that benefit specific districts. These districts are special assessed, at least in part, for the cost of the improvements. Under Michigan law, the City is secondarily liable for repayment of these bonds. Special assessment bonds outstanding at year-end are as follows:

	Interest Rate	Original Amount	Amount
<b>Special assessment bonds</b>			
<i>Governmental activities</i>			
1990 Limited Tax Special Assessment Bond	5.00%	\$ 800,000	\$ 35,000

*Revenue bonds.* The City also issues bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. Revenue bonds outstanding at year-end are as follows:

	Interest Rate	Original Amount	Amount
<b>Revenue bonds</b>			
<i>Business-type activities</i>			
1994 Sewage Disposal System Revenue Bond	5.30%	\$ 3,125,000	\$ 430,000
1998 Sewer Revenue & Refunding Bond	2.50%	26,415,000	12,065,000
2003 Sewer Revenue & Refunding Bond	2.50%	39,880,000	39,215,000
		<u>\$ 69,420,000</u>	<u>\$ 51,710,000</u>

*Installment purchase agreements.* The government enters into installment purchase agreements for equipment and related capital assets. Installment purchase agreements outstanding at year-end are as follows:

	Interest Rate	Original Amount	Amount
<b>Installment purchase agreements</b>			
<i>Governmental activities</i>			
2002 Lease Purchase Agreement - Computer Software	3.20%	\$ 1,500,000	\$ 930,000
2004 Lease Purchase Agreement - Computer System	3.83%	209,873	114,481
2004 Lease Purchase Agreement - Roof and Fire Suppression	2.77%	570,000	505,420
1999 Lease Purchase Agreement - Stadium	5.20%-6.05%	11,000,000	4,830,000
2005 Lease Purchase Agreement - LEPFA Extractor and Wall	4.51%	392,046	369,835
2005 Lease Purchase Agreement - LEPFA Carpet	4.51%	126,418	126,418
2001 Lease Purchase Agreement - O&M Facility	5.35%	1,925,000	1,520,000
		<u>\$ 15,723,337</u>	<u>\$ 8,396,154</u>

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

*Loans payable.* The government has entered into loan agreements with the certain State agencies for program purposes. Loans payable at year-end are as follows:

	Interest Rate	Original Amount	Amount
<b>Loans payable</b>			
<i>Governmental activities</i>			
2001 Michigan Department of Transportation Loan	4.00%	\$ 649,843	\$ 277,195
2004 Michigan Department of Transportation Loan	3.00%	1,266,000	1,266,000
		<u>\$ 1,915,843</u>	<u>\$ 1,543,195</u>
<i>Business-type activities</i>			
2003 MEDC Loan	4.00%	<u>\$ 4,180,000</u>	<u>\$ 4,180,000</u>

Debt service requirements to maturity for all installment debt of the City are as follows:

Year Ended June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 3,312,103	\$ 1,146,629	\$ 4,458,732	\$ 14,040,000	\$ 6,284,601	\$ 20,324,601
2007	3,442,899	986,910	4,429,809	15,809,472	5,932,187	21,741,659
2008	3,579,577	803,538	4,383,115	14,260,270	5,738,614	19,998,884
2009	3,423,739	632,815	4,056,554	14,324,280	5,434,224	19,758,505
2010	1,883,176	456,384	2,339,560	14,567,452	5,126,835	19,694,287
2011-2015	5,022,855	1,344,376	6,367,231	74,680,107	19,993,717	94,673,824
2016-2020	2,630,000	314,096	2,944,096	40,229,421	11,273,874	51,503,296
2021-2025	-	-	-	20,951,039	5,447,492	26,398,531
2026-2030	-	-	-	10,813,332	1,556,421	12,369,753
2031-2035	-	-	-	1,014,745	182,612	1,197,358
2036	-	-	-	229,666	9,805	239,472
	<u>\$23,294,349</u>	<u>\$ 5,684,748</u>	<u>\$28,979,097</u>	<u>\$ 220,919,785</u>	<u>\$66,980,383</u>	<u>\$ 286,463,339</u>



# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

*Changes in Long-Term Debt.* Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government</b>					
<b>Governmental activities</b>					
General obligation bonds	\$ 14,900,000	\$ -	\$ 1,580,000	\$ 13,320,000	\$ 1,655,000
Special assessment bonds	45,000	-	10,000	35,000	10,000
Installment purchase agreements	9,854,368	518,465	1,976,679	8,396,154	1,513,752
Loans payable	408,283	1,266,000	131,088	1,543,195	133,351
Subtotal	25,207,651	1,784,465	3,697,766	23,294,349	3,312,103
Compensated absences	10,703,244	7,677,211	7,354,288	11,026,167	7,574,916
Accrued workers compensation	3,548,408	1,987,735	1,916,767	3,619,376	1,955,102
Accrued general liability claims	400,000	-	-	400,000	-
	<b>\$ 39,859,303</b>	<b>\$11,449,411</b>	<b>\$12,968,821</b>	<b>\$ 38,339,892</b>	<b>\$ 12,842,121</b>
<b>Business-type activities</b>					
General obligation bonds	\$ 158,300,225	\$ 12,079,560	\$ 5,350,000	\$ 165,029,785	\$ 10,235,000
Revenue bonds	55,375,000	-	3,665,000	51,710,000	3,805,000
Loans payable	4,179,650	350	-	4,180,000	-
Subtotal	217,854,875	12,079,910	9,015,000	220,919,785	14,040,000
Compensated absences	1,152,292	743,337	683,899	1,211,730	704,323
Add (deduct) deferred amounts:					
For issuance discounts	(15,303,607)	-	(2,039,980)	(13,263,627)	-
For issuance premiums	1,012,908	-	43,103	969,805	-
On refunding	(2,840,668)	-	(242,906)	(2,597,762)	-
	<b>\$ 201,875,800</b>	<b>\$12,823,247</b>	<b>\$ 7,459,116</b>	<b>\$ 207,239,931</b>	<b>\$ 14,744,323</b>

For the governmental activities, compensated absences and other long-term debt are generally liquidated by the general fund.

### 3-H. Segment Information – Enterprise Funds

The government issued revenue bonds to finance certain improvements to its sewage disposal system. Because the Sewage Disposal System, an individual fund that accounts entirely for the government's sewage activities, is a segment and is reported as a major fund in the fund financial statements, separate segment disclosures herein are not required.

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

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### NOTE 4 – OTHER INFORMATION

#### 4-A. Risk Management

The City of Lansing is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries.

The City carries commercial insurance for claims relating to general liability, property, electronic data processing, boiler and machinery, police professional and errors and omissions. The City has not experienced settlements in excess of insurance coverage during the past three years.

The City is uninsured for acts of nature and environmental clean-up costs.

The City is self-insured for workers' compensation costs. The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported to the City. The current liability is accounted for in the General Fund, with long term liabilities accounted for in the Statement of Net Assets. The City has liability insurance coverage up to a maximum amount of \$16,000,000 per occurrence with a \$350,000 deductible. Changes in the estimated long-term liability as well as the total estimated cost of claims for the past two fiscal years were as follows:

	<b><u>Fiscal Year Ended June 30,</u></b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
Estimated liability, beginning of year	\$ 3,548,408	\$ 3,478,831
Estimated claims incurred, including changes in estimates	1,987,735	1,482,844
Claims payments	<u>(1,916,767)</u>	<u>(1,413,267)</u>
Estimated liability, end of year	<b><u>\$ 3,619,376</u></b>	<b><u>\$ 3,548,408</u></b>

#### 4-B. Property Taxes

Property taxes attach as an enforceable lien on property as of the date they are levied. City, community college, and 50% of school taxes are levied and due July 1 and become delinquent after August 31. County taxes and the balance of school taxes are levied and due December 1 and become delinquent after February 14. In March, taxes on real property still delinquent are purchased by the County's Tax Revolving Funds. Collections of community college, school, and county taxes and remittances are accounted for in the General Fund. City property tax revenues are recognized in the fiscal year for which the taxes are levied to the extent that they result in current receivables (i.e., are collected within 60 days after fiscal year-end).

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

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The City is permitted by charter and state law to levy taxes up to \$19.2635 per \$1,000 of assessed valuation for general operations other than the payment of principal and interest on long-term debt. The tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended June 30, 2005 was \$14.90 per \$1,000 of taxable value.

### 4-C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

### 4-D. Defined Benefit Pension Plans

#### Employees' Retirement System

The City sponsors and administers the Employees' Retirement System (the Plan), a single-employer, defined-benefit pension plan. It is accounted for as a separate pension trust fund. No stand-alone financial reports are issued. It covers general full-time employees of the City of Lansing and employees of the 54-A District Court. It does not include elected officials, who are members of the Employees' Money Purchase Pension Plan, nor does it include police officers and firefighters, who are members of a separate City pension plan. The payroll for employees covered by the plan for the year ended December 31, 2004, was \$32,382,545; the City's total payroll was \$66,844,027. Administration of the plan is funded through the General Fund.

As of December 31, 2004, employee membership data were as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>757</u>
Active members:	
Vested	314
Nonvested	<u>374</u>
	<u>688</u>

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

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Approximately 22.5% of the active membership may retire with a combination of age plus service equal to 65. All other members may retire at age 50 with 25 or more years of credited service or age 58 with 8 or more years of credited service. Members are vested after completing 8 years of credited service. For all members, annual regular retirement allowances are determined by multiplying total credited service times 1.6% to 2.8% times final average compensation. Final average compensation is the member's highest wages for two consecutive years during the last 10 years. Retirement options that provide for survivor benefits are available to members. The plan also provides death and disability benefits. If a member leaves employment or dies before vesting, accumulated member contributions plus interest are refunded to the member or designated beneficiary. Members who are vested and terminate their employment have the option of deferring retirement benefits until age 58 or withdrawing their contribution, thereby forfeiting any future benefits.

Active members contribute between 1.7% and 7.25% of wages as determined by individual labor agreements. Chapter 292 of the City of Lansing's Code of Ordinances establishes benefit provisions and requires that the annuity and pension reserves (which are determined annually by the City's actuary) not financed by member contributions shall be financed by annual appropriations.

The City's funding policy provides for periodic employer contributions at actuarially determined rates that expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended June 30, 2005, was determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over an open period of 30 years.

Contributions are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. The fund is accounted for in essentially the same manner as the Proprietary Funds and uses the full accrual method of accounting.

Plan valuation assets are equal to the reported market value of assets except that only 20% of the difference between the mark-to-market rate of return and the 8% actuarial rate of return is recognized each year. This five year smoothing method reduces the fluctuation in the City's computed contribution rate which might otherwise be caused by market value fluctuations. The entry-age actuarial cost method is used to determine plan liabilities. Significant actuarial assumptions used in determining the entry-age actuarial accrued liability include (a) a rate of return on investments of 8% per year compounded annually (b) projected salary increases of 4% attributable to inflation and 0% to 4% per year depending on age attributable to seniority/merit (c) assumption that benefits generally will increase \$200 annually after age 60.

During the year ended June 30, 2005, total contributions of \$5,947,600 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of December 31, 2004. The City contributed \$4,675,076 (19.77% of projected valuation payroll), excluding contributions for health insurance; employees contributed \$1,272,584 (5.38% of projected valuation payroll). The City's contribution consisted of (a) \$3,431,151 normal cost (14.51% of projected valuation payroll) and (b) \$1,243,925 amortization of the unfunded actuarial accrued liability (5.26% of projected valuation payroll).

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

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At December 31, 2004, the unfunded actuarial accrued liability was determined as follows:

Active participants (314 vested and 374 non-vested)	\$ 74,806,976
Retired participants and beneficiaries currently receiving benefits (714 recipients)	138,525,325
Vested terminated participants not yet receiving benefits (43)	1,996,515
Member benefit reserve	<u>16,060,197</u>
<b>Total actuarial accrued liability</b>	<b>231,389,013</b>
Actuarial value of assets (smoothed market value) *	<u>206,199,798</u>
 <b>Unfunded Actuarial accrued liability</b>	 <b><u>\$ 25,189,215</u></b>

\* Excluding reserve for health insurance in the amount of \$7,371,489

The City had initially contributed the annual required contributions ("ARC"), and thus, has never actually had, or had need to report, a net pension obligation ("NPO"), as required under GASB Statement No. 27.

### Police and Fire Retirement System

The City sponsors and administers the Police and Fire Retirement System (the plan), a single-employer defined-benefit pension plan. It is accounted for as a separate pension trust fund. No stand-alone financial reports are issued. It covers all police officers and firefighters who are full-time employees of the City. The City's payroll for employees covered by the plan for the year ended December 31, 2004, was \$27,754,429, the City's total payroll was \$66,844,027. Administration of the plan is funded through the General Fund.

As of December 31, 2004, employee membership data related to the plan were as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>607</u>
Active members:	
Vested	232
Nonvested	<u>235</u>
	<u>467</u>

Members may retire at any age with 25 or more years of credited service, or age 55 with 10 or more years of credited service. Members are vested after completing 10 years of credited service. Members are required to retire at age 70. Annual retirement allowances are determined by multiplying final average compensation by 3.2% for the first 25 years of credited service. The maximum allowance is 80% of final average compensation. Final average compensation is the member's highest wages for 2 consecutive years.

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

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When an employee who had retired subsequent to August 31, 1966, dies, the plan provides for an automatic pension to the retiree's spouse. This automatic pension is equal to 50% of the regular retirement benefit the employee had been receiving at time of death. Effective July 30, 1990, members may elect a reduced benefit, either 93% or 86% of the regular benefit, thereby increasing the spouse pension to 75% or 86% of the regular benefit, respectively. Alternately, members may elect a non-spousal beneficiary option. The plan provides death and disability benefits. If a member leaves employment or dies before vesting, accumulated member contributions plus interest are refunded to the member or designated beneficiary. Members who are vested and terminate their employment have the option of deferred retirement benefits until age 55 or withdrawing their contribution, thereby forfeiting any future benefits.

Fire members are required to contribute 7.58% of their annual wages to the plan. Police supervisors are required to contribute 9.52% and police non-supervisors, 8.50%. Chapter 294 of the City of Lansing's Ordinance establishes benefit provisions and requires that the portion of the annuity and pension reserves (which are determined annually by the City's actuary) not financed by member contributions shall be financed by annual appropriations.

In addition to the payments under this plan, the City made payments from the General Fund to provide benefits for the beneficiaries of a prior pension plan. This prior plan was superseded by the present plan as of January 1, 1944. There were no payments made to beneficiaries under that plan.

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended June 30, 2005, was determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over an open period of 30 years.

Plan valuation assets are equal to the reported market value of assets except that only 20% of the difference between the mark-to-market rate of return and the 8% actuarial rate of return is recognized each year. This five year smoothing method reduces the fluctuation in the City's computed contribution rate which might otherwise be caused by market value fluctuations. The entry-age actuarial cost method is used to determine plan liabilities. Significant actuarial assumptions used in determining the entry-age actuarial accrued liability include (a) a rate of return on investments of 8% per year compounded annually (b) projected salary increases of 4% attributable to inflation and .1 to 5.5% per year depending on age attributable to seniority/merit (c) assumption that benefits generally will increase \$525 annually after age 60.

During the year ended June 30, 2005, total contributions of \$5,434,461 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of December 31, 2004. The City contributed \$3,345,160 (11.99% of projected valuation payroll), excluding contributions for health insurance; employees contributed \$2,089,301 (7.53% of projected valuation payroll). The City's contribution consisted of (a) \$4,593,265 normal cost (16.5% of projected valuation payroll) and (b) \$1,248,105 amortization of the over-funded actuarial accrued liability (4.47% of projected valuation payroll).

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

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At December 31, 2004, the assets in excess of actuarial accrued liability were determined as follows:

Active participants (232 vested and 235 non-vested)	\$ 92,898,877
Retired participants and beneficiaries currently receiving benefits (597 recipients)	185,760,764
Vested terminated participants not yet receiving benefits (10)	<u>1,213,680</u>
<b>Total actuarial accrued liability</b>	<b>279,873,321</b>
Actuarial value of assets (smoothed market value) *	<u>275,806,929</u>
<b>Unfunded Actuarial accrued liability</b>	<b><u>\$ 4,066,395</u></b>

\* Excluding reserve for health insurance in the amount of \$10,875,918.

The City had initially contributed the annual required contributions ("ARC"), and thus, has never actually had, or had a need to report, a net pension obligation ("NPO"), as required under GASB Statement No. 27.

Significant actuarial assumptions used to computed contribution requirements were the same as those used to compute the standardized measure of the actuarial accrual liability.

### Employees' Money Purchase Pension Plan

The City of Lansing sponsors and contributes to the Employees' Money Purchase Pension Plan, which is a single-employer defined - contribution pension plan. Administration of the plan is funded by the General Fund.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions. As established by Chapter 292.30 of the City of Lansing's Code of Ordinances, this plan includes all elected officials hired subsequent to September 30, 1990. As of June 30, 2005, there were 9 active members in this plan. Contributions made by employees vest immediately, and contributions made by the City vest after three years of full-time employment. When employees terminate employment, they are entitled to their contributions and the City's contributions if vesting requirements are satisfied. Employees may contribute up to 8% of their wages in 1% increments. The City contributes an amount equal to 6.0% of the employees' wages for retirement benefits.

# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

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During the year, the City's required and actual contributions amounted to \$15,642, which was approximately 6% of covered payroll for members of this plan. The total payroll for the City for fiscal year ended June 30, 2005, was \$66,844,027. Employees' contributions totaled \$6,676. The payroll for employees in the money purchase pension plan for fiscal year ended June 30, 2005 was \$260,682.

No pension provision changes occurred during the year that affected the required contributions to be made by the City. In addition, the plan does not issue stand-alone financial statements.

***Voluntary Employees Beneficiary Association (VEBA).*** The City of Lansing Voluntary Employees Beneficiary Association (VEBA; the "Plan") is a single-employer defined benefit post employment healthcare plan established by the City to provide medical and healthcare benefits for retirees and their beneficiaries. Eligible participants include any retirees who receive pension benefits under one of the City's pension plans. Plan provisions are established and may be amended by the City Council, subject to the City's various collective bargaining agreements. The Plan is funded by a trust agreement established pursuant to Section 501(c)(9) of the Internal Revenue Code that allows for the formation of a VEBA.

Subject to certain age and length of service requirements, eligible participants receive the same or comparable medical insurance coverage under the Plan as was in effect at the time of their employment. At such time that participants become Medicare eligible, the benefits under the Plan change to Medicare Supplemental coverage.

Employer contributions to fund the Plan are currently on a pay-as-you-go basis with additional contributions intended to build the fund for purposes of paying future benefits. Employer contributions for the year ended June 30, 2005 were \$600,000. Employees are not required to contribute to the Plan, and no employee contributions were directed to the VEBA in 2005.

During 2005, no members received healthcare benefits under the Plan.



# CITY OF LANSING, MICHIGAN

## Notes To Financial Statements

### Financial statements for individual pension plans

	Pension Net Assets				
	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
<b>Assets</b>					
Cash and cash equivalents	\$ 3,580,446	\$ 3,414,776	\$ -	\$ -	\$ 6,995,222
Investments:					
U. S. Government obligations	52,825,988	67,665,931	-	-	120,491,919
Corporate bonds	13,301,030	18,167,719	-	-	31,468,749
Common stocks	52,871,487	75,434,638	-	-	128,306,125
Mutual funds	70,188,402	102,156,702	2,818,832	2,467,026	177,630,962
Contribution receivable	104,442	1,156,943	2,155	-	1,263,540
Dividends and interest receivable	572,760	719,678	2,092	7,070	1,301,600
Total assets	193,444,555	268,716,387	2,823,079	2,474,096	467,458,117
<b>Liabilities</b>					
Accounts payable	241,512	289,751	-	-	531,263
<b>Net assets held in trust for pension benefits</b>	<b>\$ 193,203,043</b>	<b>\$ 268,426,636</b>	<b>\$ 2,823,079</b>	<b>\$ 2,474,096</b>	<b>\$ 466,926,854</b>

	Changes in Pension Net Assets				
<b>Additions</b>					
Investment income:					
Net appreciation in fair value of investments	\$ 12,281,156	\$ 16,136,816	\$ 38,888	\$ 185,680	\$ 28,642,540
Interest income	3,493,106	4,241,715	197,948	7,070	7,939,839
Dividend income	175,306	1,475,126	-	119,520	1,769,952
Less investment expenses	(481,742)	(981,777)	(11,692)	-	(1,475,211)
Net investment income	15,467,826	20,871,880	225,144	312,270	36,877,120
Contributions:					
Employer	5,175,077	4,033,871	81,949	600,000	9,890,897
Plan members	1,460,044	2,253,788	-	-	3,713,832
Total contributions	6,635,121	6,287,659	81,949	600,000	13,604,729
Total additions	22,102,947	27,159,539	307,093	912,270	50,481,849
<b>Deductions</b>					
Participant benefits	13,919,219	18,379,164	1,104,915	-	33,403,298
Administrative expense	32,639	29,057	-	-	61,696
Total deductions	13,951,858	18,408,221	1,104,915	-	33,464,994
Net additions (deductions) to net assets held in trust	8,151,089	8,751,318	(797,822)	912,270	17,016,855
<b>Net assets held in trust for pension benefits:</b>					
Beginning of year, as restated	185,051,954	259,675,318	3,620,901	1,561,826	449,909,999
End of year	\$ 193,203,043	\$ 268,426,636	\$ 2,823,079	\$ 2,474,096	\$ 466,926,854

# **CITY OF LANSING, MICHIGAN**

## **Notes To Financial Statements**

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### **4-E. Postemployment Benefits**

#### **Employees' Retirement System – Postretirement Health Care Benefits**

In addition to the pension benefits described above, the City provides postretirement health care benefits in accordance with labor agreements, to full-time employees of the City and employees of the 54-A District Court (not including police officers and firefighters who are members of the Police and Fire Retirement System). Depending on date hired, members are eligible to receive health care benefits with a minimum of 8 to 15 years of service and an age requirement ranging from none to age 58. Currently, 723 retirees meet these eligibility requirements. The City provides the full cost of health benefits to retirees, payable to health care vendors, and also reimburses retirees eligible for Medicare benefits of \$78.20 per month for each covered retiree and dependent(s). The payments are charged to the General Fund of the City and are recognized as expenditures as payments are made. During the year, payments for health care benefits were approximately \$5,675,515.

There were no significant changes in health benefits over the previous year.

#### **Police and Fire Retirement System - Postretirement Health Care Benefits**

The City also provides postretirement health care benefits, in accordance with labor agreements, to full-time police officers and firefighters with a minimum of 15 years of service and an age requirement of 55 years. If service is 25 years or more, there is no age requirement. Currently, 606 retirees meet these eligibility requirements. The City provides the full cost of health benefits to retirees, payable to health care vendors, and also reimburses retirees eligible for Medicare benefits of \$78.20 per month for each covered retiree and dependent(s). The payments are charged to the General Fund of the City and are recognized as expenditures as payments are made. During the year, payments for health care benefits were approximately \$7,897,161.

There were no significant changes in health benefits over the previous year.

### **4-F. Restatements**

Beginning fund balance of the general fund was decreased by \$232,722 to defer nuisance fee revenues collected after August 31, 2004, that were recognized in the prior year. Such revenues were not susceptible to accrual until fiscal year 2005.

Beginning net assets of the sewage disposal fund were increased by \$1,166,000 to reflect the accrual of unbilled customer receivables at June 30, 2004.

Beginning net assets of the municipal parking system were increased by \$14,679,306 to properly state the amount of capital leases receivable.

# **CITY OF LANSING, MICHIGAN**

## **Notes To Financial Statements**

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The voluntary employee beneficiary association pension trust fund was inadvertently omitted from the 2004 CAFR. Beginning net assets held in trust for pension benefits amounted to \$1,561,826.

The Brownfield Redevelopment Authority and Tax Increment Finance Authority were presented as blended component units in the prior year. They are properly categorized as discretely presented component units in the current report.

Beginning net assets of governmental activities were increased by \$26,231,869 to reflect (1) the reclassification of the two component units described above, (2) the prior period adjustment to the general fund described above, (3) to recognize revenue from certain long-term receivables incorrectly deferred in the prior year, and (4) to properly state the beginning balance of installment purchase agreements.

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## REQUIRED SUPPLEMENTARY INFORMATION

**City of Lansing  
Employees' Retirement System  
Required Supplementary Information  
(amounts in thousands)**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (A)</b>	<b>Actuarial Accrued Liability (B)</b>	<b>Underfunded AAL (UAAL) (B-A)</b>	<b>Funded Ratio (A/B)</b>	<b>Covered Payroll (C)</b>	<b>UAAL as a % of Covered Payroll ((B-A)/C)</b>
12/31/1995	\$ 105,074	\$ 153,337	\$ 48,263	68.5%	\$ 18,209	265.1%
12/31/1996	114,420	157,082	42,662	72.8%	18,169	234.8%
12/31/1997	127,444	161,792	34,348	78.8%	18,332	187.4%
12/31/1998	143,268	170,775	27,507	83.9%	17,820	154.4%
12/31/1999	161,958	187,150	25,192	86.5%	19,312	130.4%
12/31/2000	177,855	198,396	20,541	89.6%	19,521	105.2%
12/31/2001	191,311	213,648	22,337	89.5%	20,282	110.1%
12/31/2002	192,920	215,405	22,485	89.6%	19,098	117.7%
12/31/2003	199,329	221,088	21,759	90.2%	30,579	71.2%
12/31/2004	206,200	231,389	25,189	89.1%	32,383	77.8%

**Schedule of Employer Contributions**

<b>Year Ended June 30</b>	<b>Annual Required Contributions</b>	<b>Percentage Contributed</b>
1996	\$ 4,094	99.9%
1997	4,329	98.9%
1998	4,086	99.2%
1999	3,334	100.0%
2000	3,138	100.0%
2001	3,215	100.0%
2002	3,105	100.0%
2003	3,567	98.1%
2004	3,466	100.0%
2005	4,675	100.0%

**City of Lansing**  
**Police and Fire Retirement System**  
**Required Supplementary Information**  
(amounts in thousands)

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (A)</b>	<b>Actuarial Accrued Liability (B)</b>	<b>Underfunded (Overfunded) AAL (UAAL) (B-A)</b>	<b>Funded Ratio (A/B)</b>	<b>Covered Payroll (C)</b>	<b>UAAL as a % of Covered Payroll ((B-A)/C)</b>
12/31/1995	\$ 157,485	\$ 182,127	\$ 24,642	86.5%	\$ 20,899	117.9%
12/31/1996	172,830	191,074	18,244	90.5%	20,392	89.5%
12/31/1997	193,162	206,191	13,029	93.7%	22,419	58.1%
12/31/1998	217,011	218,533	1,522	99.3%	22,792	6.7%
12/31/1999	245,197	233,332	(11,865)	105.1%	24,352	-48.7%
12/31/2000	267,020	239,615	(27,405)	111.4%	24,830	-110.4%
12/31/2001	280,518	249,204	(31,314)	112.6%	25,751	-121.6%
12/31/2002	280,686	259,282	(21,404)	108.3%	26,152	-81.8%
12/31/2003	277,947	267,786	(10,161)	103.8%	26,484	-38.4%
12/31/2004	275,807	279,873	4,066	98.5%	27,754	14.7%

**Schedule of Employer Contributions**

<b>Year Ended June 30</b>	<b>Annual Required Contributions</b>	<b>Percentage Contributed</b>
1996	\$ 4,335	100.1%
1997	4,669	98.7%
1998	4,252	99.0%
1999	4,380	99.4%
2000	4,063	100.0%
2001	3,561	100.0%
2002	2,665	100.0%
2003	2,637	100.0%
2004	3,287	99.6%
2005	3,334	100.3%

**COMBINING and INDIVIDUAL FUND  
STATEMENTS and SCHEDULES**

**City of Lansing**  
Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2005

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<b><u>Assets</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 389,322	\$ 25,011	\$ 3,243,719	\$ -	\$ 3,658,052
Equity in pooled cash	2,704,422	-	10,643,682	1,542,890	14,890,994
Accounts receivable, net	4,510,576	-	22,425	15,000	4,548,001
Accrued interest receivable	1,524,617	-	6,063	-	1,530,680
Special assessments receivable	-	4,265	962,054	-	966,319
Loans receivable	1,412,913	-	-	-	1,412,913
Due from other funds	-	400	-	-	400
Interfund receivable	7,195,080	-	-	-	7,195,080
Due from other governments	4,080,616	-	55,742	-	4,136,358
Prepays	881	-	-	-	881
<b>Total assets</b>	<u>\$ 21,818,427</u>	<u>\$ 29,676</u>	<u>\$ 14,933,685</u>	<u>\$ 1,557,890</u>	<u>\$ 38,339,678</u>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 513,752	\$ -	\$ 605,445	\$ -	\$ 1,119,197
Deposits payable	366,746	-	-	-	366,746
Accrued payroll	301,039	-	76	-	301,115
Retainage payable	-	-	19	-	19
Due to other funds	-	-	290,958	-	290,958
Interfund payable	7,912,996	21,011	-	-	7,934,007
Advances from other funds	-	-	639,944	-	639,944
Deferred revenue	2,891,353	4,265	833,484	-	3,729,102
<b>Total liabilities</b>	<u>11,985,886</u>	<u>25,276</u>	<u>2,369,926</u>	<u>-</u>	<u>14,381,088</u>
<b>Fund balances</b>					
Reserved for prepaids	881	-	-	-	881
Reserved for encumbrances	24,774	-	-	-	24,774
Unreserved:					
Designated for subsequent years' expenditures	536,051	-	11,261,582	-	11,797,633
Undesignated	9,270,835	4,400	1,302,177	1,557,890	12,135,302
<b>Total fund balances</b>	<u>9,832,541</u>	<u>4,400</u>	<u>12,563,759</u>	<u>1,557,890</u>	<u>23,958,590</u>
<b>Total liabilities and fund balances</b>	<u>\$ 21,818,427</u>	<u>\$ 29,676</u>	<u>\$ 14,933,685</u>	<u>\$ 1,557,890</u>	<u>\$ 38,339,678</u>



**City of Lansing**  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances - Nonmajor Governmental Funds  
For the Year Ended June 30, 2005

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<b>Revenues</b>					
Taxes and special assessments	\$ 402,016	\$ 2,072,826	\$ 346,009	\$ -	\$ 2,820,851
Intergovernmental	8,920,619	-	-	-	8,920,619
Charges for services	6,997,536	-	237,238	11,976	7,246,750
Fines and forfeits	480,253	-	-	-	480,253
Interest	52,914	33,270	124,346	26,395	236,925
Contributions	9,998	-	-	-	9,998
Donations from private sources	-	-	126,182	-	126,182
Other	664,870	-	-	-	664,870
Total revenues	<u>17,528,206</u>	<u>2,106,096</u>	<u>833,775</u>	<u>38,371</u>	<u>20,506,448</u>
<b>Expenditures</b>					
Current expenditures:					
General government	2,570,563	-	-	-	2,570,563
Public safety	5,487,818	-	-	-	5,487,818
Recreation and culture	184,964	-	-	-	184,964
Other functions	5,907,346	-	-	-	5,907,346
Debt service:					
Principal	1,170,000	1,590,000	-	-	2,760,000
Interest	356,200	740,580	-	-	1,096,780
Capital outlay	3,535,326	-	7,250,207	-	10,785,533
Total expenditures	<u>19,212,217</u>	<u>2,330,580</u>	<u>7,250,207</u>	<u>-</u>	<u>28,793,004</u>
Revenues over (under) expenditures	<u>(1,684,011)</u>	<u>(224,484)</u>	<u>(6,416,432)</u>	<u>38,371</u>	<u>(8,286,556)</u>
<b>Other financing sources (uses)</b>					
Transfers in	1,308,185	186,032	3,443,700	17,109	4,955,026
Transfers out	(1,123,200)	-	(275,836)	(38,370)	(1,437,406)
Issuance of long-term debt	-	-	518,465	-	518,465
Total other financing sources (uses)	<u>184,985</u>	<u>186,032</u>	<u>3,686,329</u>	<u>(21,261)</u>	<u>4,036,085</u>
Net change in fund balances	<u>(1,499,026)</u>	<u>(38,452)</u>	<u>(2,730,103)</u>	<u>17,110</u>	<u>(4,250,471)</u>
Fund balances, beginning of year	<u>11,331,567</u>	<u>42,852</u>	<u>15,293,862</u>	<u>1,540,780</u>	<u>28,209,061</u>
<b>Fund balances, end of year</b>	<u><u>\$ 9,832,541</u></u>	<u><u>\$ 4,400</u></u>	<u><u>\$ 12,563,759</u></u>	<u><u>\$ 1,557,890</u></u>	<u><u>\$ 23,958,590</u></u>

## **Non-Major Special Revenue Funds**

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**Budget Stabilization Fund** – This fund is used to account for funds set aside under the provisions of Public Act 30 of 1978. Funds set aside are to be determined by the City Council on an annual basis in any year where actual General Fund revenues exceed actual expenditures.

**Drug Law Enforcement Fund** – This fund accounts for revenues set aside for drug law enforcement under the provisions of State of Michigan Public Act 135 of 1985, as amended.

**State and Federal Programs Fund** – This fund accounts for all revenues received from miscellaneous grants and local contributions. These revenues are used for projects as detailed in individual grant applications.

**Community Development Block Grant Program Fund** – This fund accounts for revenues received from the Department of Housing and Urban Development. These revenues are restricted to accomplishing the various objectives of Community Development Block Grant Programs, within specific target areas.

**Stadium Fund** – This fund accounts for the City's share of revenues received from events held at Oldsmobile Park, the City's baseball stadium. The revenues are used for stadium expenditures.

**Principal Shopping District Fund** – This fund accounts for assessments received from businesses located in the district. The revenues are used for special events and maintenance of the district.

**911 Communications Center Fund** – This fund accounts for the operations of the county-wide 911 communications center. Revenues received are from the County for actual expenditures incurred.

**Building Department Fund** – This fund accounts for revenues and expenditures resulting from the enforcement of the State Construction Code Act of 1999 (PA 245 of 1999).

**Parks Department Fund** – This fund accounts for contributions and transfers which are restricted for park expenditures.

**City of Lansing**  
Combining Balance Sheet - Nonmajor Special Revenue Funds  
June 30, 2005

	<b><u>Budget Stabilization</u></b>	<b><u>Drug Law Enforcement</u></b>	<b><u>State and Federal Programs</u></b>	<b><u>Community Development Block Grant Program</u></b>
<b><u>Assets</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 129,644	\$ -	\$ 259,678
Equity in pooled cash	-	1,235,060	-	-
Accounts receivable	-	-	5,131	-
Accrued interest receivable	-	-	-	1,524,617
Loans receivable	-	-	-	1,412,913
Interfund receivable	7,195,080	-	-	-
Due from other governments	-	-	2,640,617	1,439,999
Prepays	-	-	-	-
<b>Total assets</b>	<b><u>\$ 7,195,080</u></b>	<b><u>\$ 1,364,704</u></b>	<b><u>\$ 2,645,748</u></b>	<b><u>\$ 4,637,207</u></b>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 70,872	\$ 225,102	\$ 136,551
Deposits payable	-	359,696	-	-
Accrued payroll	-	5,831	87,720	37,704
Interfund payable	-	-	2,041,538	1,725,422
Deferred revenue	-	-	153,823	2,737,530
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>436,399</u></b>	<b><u>2,508,183</u></b>	<b><u>4,637,207</u></b>
<b>Fund balances</b>				
Reserved for prepaids	-	-	-	-
Reserved for encumbrances	-	-	-	-
Unreserved:				
Designated for subsequent years' expenditures	-	-	-	-
Undesignated	7,195,080	928,305	137,565	-
<b>Total fund balances</b>	<b><u>7,195,080</u></b>	<b><u>928,305</u></b>	<b><u>137,565</u></b>	<b><u>-</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 7,195,080</u></b>	<b><u>\$ 1,364,704</u></b>	<b><u>\$ 2,645,748</u></b>	<b><u>\$ 4,637,207</u></b>

<u>Stadium</u>	<u>Principal Shopping District</u>	<u>911 Communications Center</u>	<u>Building Department</u>	<u>Parks Department</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 389,322
621,742	36,454	-	244,381	566,785	2,704,422
111,836	2,499	4,390,761	349	-	4,510,576
-	-	-	-	-	1,524,617
-	-	-	-	-	1,412,913
-	-	-	-	-	7,195,080
-	-	-	-	-	4,080,616
-	881	-	-	-	881
<u>\$ 733,578</u>	<u>\$ 39,834</u>	<u>\$ 4,390,761</u>	<u>\$ 244,730</u>	<u>\$ 566,785</u>	<u>\$ 21,818,427</u>
\$ -	\$ 11,512	\$ 3,095	\$ 1,309	\$ 65,311	\$ 513,752
-	-	-	7,050	-	366,746
-	4,023	136,065	29,696	-	301,039
-	-	4,146,036	-	-	7,912,996
-	-	-	-	-	2,891,353
<u>-</u>	<u>15,535</u>	<u>4,285,196</u>	<u>38,055</u>	<u>65,311</u>	<u>11,985,886</u>
-	881	-	-	-	881
-	-	24,061	713	-	24,774
520,568	-	15,483	-	-	536,051
213,010	23,418	66,021	205,962	501,474	9,270,835
<u>733,578</u>	<u>24,299</u>	<u>105,565</u>	<u>206,675</u>	<u>501,474</u>	<u>9,832,541</u>
<u>\$ 733,578</u>	<u>\$ 39,834</u>	<u>\$ 4,390,761</u>	<u>\$ 244,730</u>	<u>\$ 566,785</u>	<u>\$ 21,818,427</u>

**City of Lansing**  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances - Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2005

	<b>Budget Stabilization</b>	<b>Drug Law Enforcement</b>	<b>State and Federal Programs</b>	<b>Community Development Block Grant Program</b>
<b>Revenues</b>				
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	405,302	5,621,391	2,893,926
Charges for services	-	-	-	-
Fines and forfeits	-	480,253	-	-
Interest	-	20,547	1,366	4,527
Contributions	-	-	-	-
Other	-	-	-	636,873
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>906,102</u>	<u>5,622,757</u>	<u>3,535,326</u>
<b>Expenditures</b>				
Current expenditures:				
General government	-	-	-	-
Public safety	-	1,032,381	-	-
Recreation and culture	-	-	-	-
Other functions	-	-	5,907,346	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	3,535,326
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,535,326</u>
Total expenditures	<u>-</u>	<u>1,032,381</u>	<u>5,907,346</u>	<u>3,535,326</u>
Revenues over (under) expenditures	<u>-</u>	<u>(126,279)</u>	<u>(284,589)</u>	<u>-</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	420,100	-
Transfers out	(1,097,950)	(23,500)	(1,750)	-
	<u>(1,097,950)</u>	<u>(23,500)</u>	<u>(1,750)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,097,950)</u>	<u>(23,500)</u>	<u>418,350</u>	<u>-</u>
Net change in fund balances	(1,097,950)	(149,779)	133,761	-
Fund balances, beginning of year	<u>8,293,030</u>	<u>1,078,084</u>	<u>3,804</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ 7,195,080</u></u>	<u><u>\$ 928,305</u></u>	<u><u>\$ 137,565</u></u>	<u><u>\$ -</u></u>

<u>Stadium</u>	<u>Principal Shopping District</u>	<u>911 Communications Center</u>	<u>Building Department</u>	<u>Parks Department</u>	<u>Totals</u>
\$ -	\$ 402,016	\$ -	\$ -	\$ -	\$ 402,016
-	-	-	-	-	8,920,619
686,819	-	4,337,700	1,973,017	-	6,997,536
-	-	-	-	-	480,253
16,065	918	-	-	9,491	52,914
-	9,998	-	-	-	9,998
-	3,871	24,126	-	-	664,870
<u>702,884</u>	<u>416,803</u>	<u>4,361,826</u>	<u>1,973,017</u>	<u>9,491</u>	<u>17,528,206</u>
254,500	458,795	-	1,857,268	-	2,570,563
-	-	4,455,437	-	-	5,487,818
57,940	-	-	-	127,024	184,964
-	-	-	-	-	5,907,346
1,170,000	-	-	-	-	1,170,000
356,200	-	-	-	-	356,200
-	-	-	-	-	3,535,326
<u>1,838,640</u>	<u>458,795</u>	<u>4,455,437</u>	<u>1,857,268</u>	<u>127,024</u>	<u>19,212,217</u>
<u>(1,135,756)</u>	<u>(41,992)</u>	<u>(93,611)</u>	<u>115,749</u>	<u>(117,533)</u>	<u>(1,684,011)</u>
750,000	42,075	84,000	-	12,010	1,308,185
-	-	-	-	-	(1,123,200)
<u>750,000</u>	<u>42,075</u>	<u>84,000</u>	<u>-</u>	<u>12,010</u>	<u>184,985</u>
(385,756)	83	(9,611)	115,749	(105,523)	(1,499,026)
<u>1,119,334</u>	<u>24,216</u>	<u>115,176</u>	<u>90,926</u>	<u>606,997</u>	<u>11,331,567</u>
<u>\$ 733,578</u>	<u>\$ 24,299</u>	<u>\$ 105,565</u>	<u>\$ 206,675</u>	<u>\$ 501,474</u>	<u>\$ 9,832,541</u>

**City of Lansing**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balances - Budget and Actual - Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2005

	<b>Budget Stabilization</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance with Budget</b>
<b>Revenues</b>			
Taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest	-	-	-
Contributions	-	-	-
Other	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Recreation and culture	-	-	-
Other functions	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	-	-	-
	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>			
Transfers in	-	-	-
Transfers out	(1,097,950)	(1,097,950)	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(1,097,950)	(1,097,950)	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(1,097,950)	(1,097,950)	-
	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	8,293,030	8,293,030	-
	<hr/>	<hr/>	<hr/>
<b>Fund balances, end of year</b>	<u>\$ 7,195,080</u>	<u>\$ 7,195,080</u>	<u>\$ -</u>

Drug Law Enforcement			State and Federal Programs		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
403,278	405,302	(2,024)	17,170,330	5,621,391	11,548,939
-	-	-	-	-	-
507,220	480,253	26,967	-	-	-
15,000	20,547	(5,547)	(1,499)	1,366	(2,865)
-	-	-	-	-	-
-	-	-	-	-	-
925,498	906,102	19,396	17,168,832	5,622,757	11,546,075
-	-	-	-	-	-
726,282	1,032,381	(306,099)	-	-	-
-	-	-	-	-	-
-	-	-	22,921,921	5,907,346	17,014,575
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
726,282	1,032,381	(306,099)	22,921,921	5,907,346	17,014,575
199,217	(126,279)	325,496	(5,753,089)	(284,589)	(5,468,500)
-	-	-	666,811	420,100	246,711
(23,500)	(23,500)	-	1,603	(1,750)	3,353
(23,500)	(23,500)	-	668,414	418,350	250,064
175,717	(149,779)	325,496	(5,084,675)	133,761	(5,218,436)
1,078,084	1,078,084	-	3,804	3,804	-
\$ 1,253,801	\$ 928,305	\$ 325,496	\$ (5,080,871)	\$ 137,565	\$ (5,218,436)



**City of Lansing**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balances - Budget and Actual - Nonmajor Special Revenue Funds (Continued)  
For the Year Ended June 30, 2005

	<b>Community Development Block Grant Program</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance with Budget</b>
<b>Revenues</b>			
Taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental	3,690,808	2,893,926	796,882
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest	-	4,527	(4,527)
Contributions	-	-	-
Other	1,292,080	636,873	655,207
	<u>4,982,888</u>	<u>3,535,326</u>	<u>1,447,562</u>
Total revenues	<u>4,982,888</u>	<u>3,535,326</u>	<u>1,447,562</u>
<b>Expenditures</b>			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Recreation and culture	-	-	-
Other functions	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	4,982,888	3,535,326	1,447,562
	<u>4,982,888</u>	<u>3,535,326</u>	<u>1,447,562</u>
Total expenditures	<u>4,982,888</u>	<u>3,535,326</u>	<u>1,447,562</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Stadium			Principal Shopping District		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ -	\$ -	\$ -	\$ 403,864	\$ 402,016	\$ 1,848
-	-	-	-	-	-
850,000	686,819	163,181	-	-	-
-	-	-	-	-	-
12,000	16,065	(4,065)	1,000	918	82
-	-	-	10,000	9,998	2
-	-	-	4,500	3,871	629
<u>862,000</u>	<u>702,884</u>	<u>159,116</u>	<u>419,364</u>	<u>416,803</u>	<u>2,561</u>
254,500	254,500	-	465,662	458,795	6,867
-	-	-	-	-	-
58,000	57,940	60	-	-	-
-	-	-	-	-	-
1,170,000	1,170,000	-	-	-	-
356,250	356,200	50	-	-	-
-	-	-	-	-	-
<u>1,838,750</u>	<u>1,838,640</u>	<u>110</u>	<u>465,662</u>	<u>458,795</u>	<u>6,867</u>
<u>(976,750)</u>	<u>(1,135,756)</u>	<u>159,006</u>	<u>(46,298)</u>	<u>(41,992)</u>	<u>(4,306)</u>
750,000	750,000	-	42,075	42,075	-
-	-	-	-	-	-
<u>750,000</u>	<u>750,000</u>	<u>-</u>	<u>42,075</u>	<u>42,075</u>	<u>-</u>
(226,750)	(385,756)	159,006	(4,223)	83	(4,306)
<u>1,119,334</u>	<u>1,119,334</u>	<u>-</u>	<u>24,216</u>	<u>24,216</u>	<u>-</u>
<u>\$ 892,584</u>	<u>\$ 733,578</u>	<u>\$ 159,006</u>	<u>\$ 19,993</u>	<u>\$ 24,299</u>	<u>\$ (4,306)</u>

**City of Lansing**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balances - Budget and Actual - Nonmajor Special Revenue Funds (Continued)  
For the Year Ended June 30, 2005

	<b>911 Communications Center</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance with Budget</b>
<b>Revenues</b>			
Taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	4,337,700	4,337,700	-
Fines and forfeits	-	-	-
Interest	-	-	-
Contributions	-	-	-
Other	54,126	24,126	30,000
Total revenues	4,391,826	4,361,826	30,000
<b>Expenditures</b>			
Current expenditures:			
General government	-	-	-
Public safety	4,625,110	4,455,437	169,673
Recreation and culture	-	-	-
Other functions	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
Total expenditures	4,625,110	4,455,437	169,673
Revenues over (under) expenditures	(233,284)	(93,611)	(139,673)
<b>Other financing sources (uses)</b>			
Transfers in	125,000	84,000	41,000
Transfers out	-	-	-
Total other financing sources (uses)	125,000	84,000	41,000
Net change in fund balances	(108,284)	(9,611)	(98,673)
Fund balances, beginning of year	115,176	115,176	-
<b>Fund balances, end of year</b>	<b>\$ 6,892</b>	<b>\$ 105,565</b>	<b>\$ (98,673)</b>

Building Department			Parks Department		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,441,500	1,973,017	(531,517)	-	-	-
-	-	-	-	-	-
-	-	-	-	9,491	(9,491)
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,441,500</u>	<u>1,973,017</u>	<u>(531,517)</u>	<u>-</u>	<u>9,491</u>	<u>(9,491)</u>
1,890,623	1,857,268	33,355	-	-	-
-	-	-	-	-	-
-	-	-	226,522	127,024	99,498
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,890,623</u>	<u>1,857,268</u>	<u>33,355</u>	<u>226,522</u>	<u>127,024</u>	<u>99,498</u>
<u>(449,123)</u>	<u>115,749</u>	<u>(564,872)</u>	<u>(226,522)</u>	<u>(117,533)</u>	<u>(108,989)</u>
449,123	-	449,123	-	12,010	(12,010)
-	-	-	-	-	-
<u>449,123</u>	<u>-</u>	<u>449,123</u>	<u>-</u>	<u>12,010</u>	<u>(12,010)</u>
-	115,749	(115,749)	(226,522)	(105,523)	(120,999)
<u>90,926</u>	<u>90,926</u>	<u>-</u>	<u>606,997</u>	<u>606,997</u>	<u>-</u>
<u>\$ 90,926</u>	<u>\$ 206,675</u>	<u>\$ (115,749)</u>	<u>\$ 380,475</u>	<u>\$ 501,474</u>	<u>\$ (120,999)</u>

**City of Lansing**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balances - Budget and Actual - Nonmajor Special Revenue Funds (Concluded)  
For the Year Ended June 30, 2005

	<b>Totals</b>		<b>Variance with</b>
	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
<b>Revenues</b>			
Taxes and special assessments	\$ 405,712	\$ 402,016	\$ 3,696
Intergovernmental	33,608,213	8,920,619	24,687,594
Charges for services	6,260,864	6,997,536	(736,672)
Fines and forfeits	534,188	480,253	53,935
Interest	89	52,914	(52,825)
Contributions	10,002	9,998	4
Other	2,036,542	664,870	1,371,672
Total revenues	42,855,610	17,528,206	(25,327,404)
<b>Expenditures</b>			
Current expenditures:			
General government	2,651,007	2,570,563	80,444
Public safety	5,214,966	5,487,818	(272,852)
Recreation and culture	384,080	184,964	199,116
Other functions	39,936,496	5,907,346	34,029,150
Debt service:			
Principal	1,170,000	1,170,000	-
Interest	356,300	356,200	100
Capital outlay	6,430,450	3,535,326	2,895,124
Total expenditures	56,143,298	19,212,217	36,931,081
Revenues over (under) expenditures	(13,287,688)	(1,684,011)	11,603,677
<b>Other financing sources (uses)</b>			
Transfers in	2,757,833	1,308,185	1,449,648
Transfers out	(1,116,495)	(1,123,200)	6,705
Total other financing sources (uses)	1,641,338	184,985	1,456,353
Net change in fund balances	(11,646,350)	(1,499,026)	10,147,324
Fund balances, beginning of year	11,331,567	11,331,567	-
<b>Fund balances, end of year</b>	<b>\$ (314,783)</b>	<b>\$ 9,832,541</b>	<b>\$ 10,147,324</b>

## **Non-Major Debt Service Funds**

---

**1990 Special Assessments Fund** – This fund accounts for the accumulation of resources for payment of the 1990 \$800,000 Special Assessment Bonds.

**1996 Refunding Bonds Fund** – This fund accounts for the accumulation of resources for payment of the 1996 \$10,800,000 Refunding Bonds.

**1998 Building Authority Fund** – This fund accounts for the accumulation of resources for payment of the 1998 \$2,175,000 Building Authority Bonds.

**1999 Fire Station Fund** – This fund accounts for the accumulation of resources for payment of the 1999 \$3,000,000 Unlimited Tax General Obligation Bonds.

**2001 Fire Station Fund** – This fund accounts for the accumulation of resources for the payment of the 2001 \$4,000,000 Unlimited Tax General Obligation Bonds.

**City of Lansing**  
Combining Balance Sheet - Nonmajor Debt Service Funds  
June 30, 2005

	<b>1990 Special Assessments</b>	<b>1996 Refunding Bonds</b>	<b>1998 Building Authority</b>	<b>1999 Fire Station</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 5,100	\$ 3,711	\$ -	\$ 10,412
Special assessments receivable	4,265	-	-	-
Due from other funds	<u>-</u>	<u>-</u>	<u>400</u>	<u>-</u>
<b>Total assets</b>	<u><u>\$ 9,365</u></u>	<u><u>\$ 3,711</u></u>	<u><u>\$ 400</u></u>	<u><u>\$ 10,412</u></u>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Interfund payables	\$ 5,100	\$ 1,711	\$ -	\$ 9,412
Deferred revenues	<u>4,265</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	9,365	1,711	-	9,412
<b>Fund balances</b>				
Unreserved, undesignated	<u>-</u>	<u>2,000</u>	<u>400</u>	<u>1,000</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 9,365</u></u>	<u><u>\$ 3,711</u></u>	<u><u>\$ 400</u></u>	<u><u>\$ 10,412</u></u>

<b>2001 Fire Station</b>	<b>Totals</b>
\$ 5,788	\$ 25,011
-	4,265
-	400
<u>\$ 5,788</u>	<u>\$ 29,676</u>

\$ 4,788	\$ 21,011
-	4,265
4,788	25,276
1,000	4,400
<u>\$ 5,788</u>	<u>\$ 29,676</u>



**City of Lansing**  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances - Nonmajor Debt Service Funds  
For the Year Ended June 30, 2005

	<b>1990 Special Assessments</b>	<b>1996 Refunding Bonds</b>	<b>1998 Building Authority</b>	<b>1999 Fire Station</b>
<b>Revenues</b>				
Taxes and special assessments	\$ 1,320	\$ 1,490,733	\$ -	\$ 278,591
Interest	387	23,507	-	3,767
	<u>1,707</u>	<u>1,514,240</u>	<u>-</u>	<u>282,358</u>
<b>Expenditures</b>				
Debt service:				
Principal payments	10,000	1,210,000	90,000	145,000
Interest	2,749	338,104	84,625	143,200
	<u>12,749</u>	<u>1,548,104</u>	<u>174,625</u>	<u>288,200</u>
Total expenditures				
	<u>12,749</u>	<u>1,548,104</u>	<u>174,625</u>	<u>288,200</u>
Revenues over (under) expenditures	(11,042)	(33,864)	(174,625)	(5,842)
<b>Other financing sources</b>				
Transfers in	11,032	-	175,000	-
	<u>11,032</u>	<u>-</u>	<u>175,000</u>	<u>-</u>
Net change in fund balances	(10)	(33,864)	375	(5,842)
Fund balances, beginning of year	10	35,864	25	6,842
	<u>10</u>	<u>35,864</u>	<u>25</u>	<u>6,842</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 400</u>	<u>\$ 1,000</u>

<b>2001 Fire Station</b>	<b>Totals</b>
\$ 302,182	\$ 2,072,826
5,609	33,270
<u>307,791</u>	<u>2,106,096</u>
135,000	1,590,000
<u>171,902</u>	<u>740,580</u>
<u>306,902</u>	<u>2,330,580</u>
889	(224,484)
<u>-</u>	<u>186,032</u>
889	(38,452)
<u>111</u>	<u>42,852</u>
<u>\$ 1,000</u>	<u>\$ 4,400</u>

## **Non-Major Capital Projects Funds**

---

**1987 Street Improvements Fund** – This fund accounts for the proceeds of the 1987 \$22,000,000 Unlimited Tax bonds.

**1990 Environmental I Fund** – This fund accounts for the proceeds of the 1990 \$7,000,000 Environmental bonds.

**1990 Environmental II Fund** – This fund accounts for the proceeds of the 1990 \$6,300,000 Environmental bonds.

**Combined Sewer Overflow Fund** – This fund accounts for the storm sewer portion of the combined sewer overflow bonds.

**Special Assessments Fund** – This fund is used to account for the financing of public improvements deemed to benefit the properties against which special assessments are levied.

**1999 Fire Station Fund** – This fund accounts for the proceeds of the 1999 \$3,000,000 Unlimited Tax General Obligation Bonds.

**2001 Fire Station Fund** – This fund accounts for the proceeds of the 2001 \$4,000,000 Unlimited Tax General Obligation Bonds.

**Other Capital Projects Fund** – This fund accounts for miscellaneous capital projects.

**City of Lansing**  
Combining Balance Sheet - Nonmajor Capital Projects Funds  
June 30, 2005

	<b>1987 Street Improve- ments</b>	<b>1990 Environ- mental I</b>	<b>1990 Environ- mental II</b>	<b>Combined Sewer Overflow</b>
<b><u>Assets</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash	98,058	75,236	351,232	1,408,142
Accounts receivable	-	-	-	-
Accrued interest receivable	-	-	-	-
Special assessments receivable:				
Current	-	-	-	-
Deferred	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 98,058</b>	<b>\$ 75,236</b>	<b>\$ 351,232</b>	<b>\$ 1,408,142</b>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Retainage payable	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Deferred revenue	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances - unreserved</b>				
Designated for subsequent years' expenditures	97,565	-	220,564	-
Undesignated (deficit)	493	75,236	130,668	1,408,142
<b>Total fund balances (deficit)</b>	<b>98,058</b>	<b>75,236</b>	<b>351,232</b>	<b>1,408,142</b>
<b>Total liabilities and fund balances</b>	<b>\$ 98,058</b>	<b>\$ 75,236</b>	<b>\$ 351,232</b>	<b>\$ 1,408,142</b>

<b>Special Assess- ments</b>	<b>1999 Fire Station</b>	<b>2001 Fire Station</b>	<b>Other</b>	<b>Totals</b>
\$ -	\$ -	\$ 2,651,189	\$ 592,530	\$ 3,243,719
-	343,568	-	8,367,446	10,643,682
-	-	-	22,425	22,425
-	-	6,063	-	6,063
128,570	-	-	-	128,570
833,484	-	-	-	833,484
1,070	-	-	54,672	55,742
<u>\$ 963,124</u>	<u>\$ 343,568</u>	<u>\$ 2,657,252</u>	<u>\$ 9,037,073</u>	<u>\$ 14,933,685</u>

\$ 82,155	\$ 6,436	\$ -	\$ 516,854	\$ 605,445
76	-	-	-	76
-	-	-	19	19
-	-	290,958	-	290,958
639,944	-	-	-	639,944
833,484	-	-	-	833,484
<u>1,555,659</u>	<u>6,436</u>	<u>290,958</u>	<u>516,873</u>	<u>2,369,926</u>

-	310,364	2,366,294	8,266,795	11,261,582
(592,535)	26,768	-	253,405	1,302,177
<u>(592,535)</u>	<u>337,132</u>	<u>2,366,294</u>	<u>8,520,200</u>	<u>12,563,759</u>
<u>\$ 963,124</u>	<u>\$ 343,568</u>	<u>\$ 2,657,252</u>	<u>\$ 9,037,073</u>	<u>\$ 14,933,685</u>

**City of Lansing**  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances - Nonmajor Capital Projects Funds  
For the Year Ended June 30, 2005

	<b>1987 Street Improve- ments</b>	<b>1990 Environ- mental I</b>	<b>1990 Environ- mental II</b>	<b>Combined Sewer Overflow</b>
<b>Revenues</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Interest	1,577	1,210	5,724	-
Donations from private sources	-	-	-	-
	<u>1,577</u>	<u>1,210</u>	<u>5,724</u>	<u>-</u>
Total revenues	1,577	1,210	5,724	-
<b>Expenditures</b>				
Capital outlay	-	-	6,793	3,062
	<u>-</u>	<u>-</u>	<u>6,793</u>	<u>3,062</u>
Revenues over (under) expenditures	1,577	1,210	(1,069)	(3,062)
	<u>1,577</u>	<u>1,210</u>	<u>(1,069)</u>	<u>(3,062)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Issuance of long-term debt	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,577	1,210	(1,069)	(3,062)
	<u>1,577</u>	<u>1,210</u>	<u>(1,069)</u>	<u>(3,062)</u>
Fund balance (deficit), beginning of year	96,481	74,026	352,301	1,411,204
	<u>96,481</u>	<u>74,026</u>	<u>352,301</u>	<u>1,411,204</u>
<b>Fund balance (deficit), end of year</b>	<u>\$ 98,058</u>	<u>\$ 75,236</u>	<u>\$ 351,232</u>	<u>\$ 1,408,142</u>

<b>Special Assess- ments</b>	<b>1999 Fire Station</b>	<b>2001 Fire Station</b>	<b>Other</b>	<b>Totals</b>
\$ 346,009	\$ -	\$ -	\$ -	\$ 346,009
-	-	-	237,238	237,238
118	4,637	50,354	60,726	124,346
-	-	-	126,182	126,182
346,127	4,637	50,354	424,146	833,775
524,558	(4,374)	818	6,719,350	7,250,207
(178,431)	9,011	49,536	(6,295,204)	(6,416,432)
-	-	-	3,443,700	3,443,700
-	-	-	(275,836)	(275,836)
-	-	-	518,465	518,465
-	-	-	3,686,329	3,686,329
(178,431)	9,011	49,536	(2,608,875)	(2,730,103)
(414,104)	328,121	2,316,758	11,129,075	15,293,862
<u>\$ (592,535)</u>	<u>\$ 337,132</u>	<u>\$ 2,366,294</u>	<u>\$ 8,520,200</u>	<u>\$ 12,563,759</u>

## **Permanent Funds**

---

**Cemetery Perpetual Care Fund** – This fund accounts for transfers from the Cemetery Fund, representing 15% of lot sales. These funds are invested, and all investment earnings are transferred to the Cemetery Fund for lot maintenance.

**Parks Trust Fund** – This fund accounts for contributions made for City parks, the principal of which must be preserved in accordance with the trust indentures. Income derived from these contributions is transferred to the Parks Department special revenue fund.



**City of Lansing**  
Combining Balance Sheet - Nonmajor Permanent Funds  
June 30, 2005

	<u>Cemetery Perpetual Care</u>	<u>Parks Trust</u>	<u>Totals</u>
<b><u>Assets</u></b>			
<b>Assets</b>			
Equity in pooled cash	\$ 1,541,640	\$ 1,250	\$ 1,542,890
Account receivable	<u>15,000</u>	<u>-</u>	<u>15,000</u>
<b>Total assets</b>	<u><u>\$ 1,556,640</u></u>	<u><u>\$ 1,250</u></u>	<u><u>\$ 1,557,890</u></u>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Fund balances</b>			
Unreserved, undesignated	<u><u>\$ 1,556,640</u></u>	<u><u>\$ 1,250</u></u>	<u><u>\$ 1,557,890</u></u>

**City of Lansing**  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances - Nonmajor Permanent Funds  
For the Year Ended June 30, 2005

	<b>Cemetery Perpetual Care</b>	<b>Parks Trust</b>	<b>Totals</b>
<b>Revenues</b>			
Rents	\$ -	\$ 11,976	\$ 11,976
Interest	26,361	34	26,395
	<u>26,361</u>	<u>34</u>	<u>26,395</u>
Total revenues	<u>26,361</u>	<u>12,010</u>	<u>38,371</u>
<b>Other financing sources (uses)</b>			
Transfers in	17,109	-	17,109
Transfers out	(26,360)	(12,010)	(38,370)
	<u>(9,251)</u>	<u>(12,010)</u>	<u>(21,261)</u>
Total other financing sources (uses)	<u>(9,251)</u>	<u>(12,010)</u>	<u>(21,261)</u>
Net change in fund balances	17,110	-	17,110
Fund balances, beginning of year	<u>1,539,530</u>	<u>1,250</u>	<u>1,540,780</u>
<b>Fund balances, end of year</b>	<u><u>\$ 1,556,640</u></u>	<u><u>\$ 1,250</u></u>	<u><u>\$ 1,557,890</u></u>

## **Non-Major Enterprise Funds**

---

**Cemetery Fund** – This fund accounts for the operation of City-owned cemeteries.

**Golf Fund** – This fund accounts for the operation of the City-owned golf courses.

**Garbage and Rubbish Collection Fund** – This fund accounts for the provision of household solid waste disposal services to participating residents of the City.

**Recycling Fund** – This fund accounts for the provision of recycling services to participating residents of the City.

**Potter Park Zoo Fund** – This fund accounts for the operations of the Potter Park Zoo.

**City of Lansing**  
Combining Statement of Net Assets - Nonmajor Enterprise Funds  
June 30, 2005

	<u>Cemetery</u>	<u>Golf</u>	<u>Garbage and Rubbish Collection</u>	<u>Recycling</u>
<b><u>Assets</u></b>				
Current assets:				
Cash and cash equivalents	\$ 675	\$ 14,664	\$ -	\$ -
Equity in pooled cash	163,689	-	8,348	1,177,465
Accounts receivable, net	-	5,576	213,046	10,145
Inventories	52,608	39,721	3,038	-
Total current assets	<u>216,972</u>	<u>59,961</u>	<u>224,432</u>	<u>1,187,610</u>
Noncurrent assets -				
Capital assets, net	<u>194,529</u>	<u>2,974,151</u>	<u>-</u>	<u>864,981</u>
Total assets	<u>411,501</u>	<u>3,034,112</u>	<u>224,432</u>	<u>2,052,591</u>
<b><u>Liabilities</u></b>				
Current liabilities:				
Accounts payable	2,839	17,021	29,326	25,200
Accrued interest payable	-	12,928	-	-
Accrued payroll	12,980	30,188	10,369	26,870
Interfund payable	-	391,227	-	-
Unearned revenues	-	24,993	70,751	-
Current portion of:				
Long-term debt	-	55,000	-	-
Compensated absences	22,258	41,685	56,153	54,013
Total current liabilities	<u>38,077</u>	<u>573,042</u>	<u>166,599</u>	<u>106,083</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	-	889,301	-	-
Compensated absences	22,342	-	30,418	31,769
Total noncurrent liabilities	<u>22,342</u>	<u>889,301</u>	<u>30,418</u>	<u>31,769</u>
Total liabilities	<u>60,419</u>	<u>1,462,343</u>	<u>197,017</u>	<u>137,852</u>
<b><u>Net Assets</u></b>				
Invested in capital assets, net				
of related debt	194,529	2,029,850	-	864,981
Unrestricted	<u>156,553</u>	<u>(458,081)</u>	<u>27,415</u>	<u>1,049,758</u>
Total net assets	<u>\$ 351,082</u>	<u>\$ 1,571,769</u>	<u>\$ 27,415</u>	<u>\$ 1,914,739</u>

<b>Potter Park Zoo</b>	<b>Totals</b>
\$ 12,770	\$ 28,109
189,474	1,538,976
-	228,767
-	95,367
<u>202,244</u>	<u>1,891,219</u>
 5,611,840	 9,645,501
<u>5,814,084</u>	<u>11,536,720</u>
 25,059	 99,445
-	12,928
30,050	110,457
-	391,227
-	95,744
-	55,000
85,781	259,890
<u>140,890</u>	<u>1,024,691</u>
 -	 889,301
61,354	145,883
<u>61,354</u>	<u>1,035,184</u>
 202,244	 2,059,875
 5,611,840	 8,701,200
<u>-</u>	<u>775,645</u>
<u>\$ 5,611,840</u>	<u>\$ 9,476,845</u>

**City of Lansing**  
Combining Statement of Revenues, Expenses and  
Changes in Net Assets - Nonmajor Enterprise Funds  
For the Year Ended June 30, 2005

	<u>Cemetery</u>	<u>Golf</u>	<u>Garbage and Rubbish Collection</u>	<u>Recycling</u>
<b>Operating revenues</b>				
Charges for services	\$ 230,716	\$ 929,266	\$ 1,322,111	\$ 2,636,002
<b>Operating expenses</b>				
Personal services	503,144	662,720	639,999	1,598,233
Contractual and materials	268,252	605,519	781,618	1,241,222
Depreciation	31,553	124,890	-	22,548
Total operating expenses	802,949	1,393,129	1,421,617	2,862,003
Operating loss	(572,233)	(463,863)	(99,506)	(226,001)
<b>Nonoperating revenues (expenses)</b>				
Interest revenue	-	-	1,004	18,321
Gain on sale of capital assets	2,300	7,300	-	-
Interest expense and fees	-	(53,486)	-	-
Total nonoperating revenues (expenses)	2,300	(46,186)	1,004	18,321
Loss before contributions and transfers	(569,933)	(510,049)	(98,502)	(207,680)
<b>Capital contributions</b>	33,600	437,280	-	-
<b>Transfers in</b>	591,523	761,676	91,622	34,500
<b>Transfers out</b>	(17,109)	-	-	-
Change in net assets	38,081	688,907	(6,880)	(173,180)
Net assets, beginning of year	313,001	882,862	34,295	2,087,919
<b>Net assets, end of year</b>	<u>\$ 351,082</u>	<u>\$ 1,571,769</u>	<u>\$ 27,415</u>	<u>\$ 1,914,739</u>

<b>Potter Park Zoo</b>	<b>Totals</b>
<u>\$ 558,654</u>	<u>\$ 5,676,749</u>
1,439,111	4,843,207
864,889	3,761,500
<u>386,943</u>	<u>565,934</u>
<u>2,690,943</u>	<u>9,170,641</u>
<u>(2,132,289)</u>	<u>(3,493,892)</u>
-	19,325
-	9,600
<u>-</u>	<u>(53,486)</u>
<u>-</u>	<u>(24,561)</u>
(2,132,289)	(3,518,453)
-	470,880
1,711,223	3,190,544
<u>-</u>	<u>(17,109)</u>
(421,066)	125,862
<u>6,032,906</u>	<u>9,350,983</u>
<u>\$ 5,611,840</u>	<u>\$ 9,476,845</u>

**City of Lansing**  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2005

	<u>Cemetery</u>	<u>Golf</u>	<u>Garbage and Rubbish Collection</u>	<u>Recycling</u>
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 231,216	\$ 923,690	\$ 1,257,954	\$ 2,625,434
Cash payments for goods and services	(258,788)	(856,152)	(777,015)	(1,235,314)
Cash payments to employees	(503,144)	(662,720)	(639,999)	(1,598,233)
Net cash provided (used) by operating activities	<u>(530,716)</u>	<u>(595,182)</u>	<u>(159,060)</u>	<u>(208,113)</u>
<b>Cash flows from noncapital financing activities</b>				
Transfers in	591,523	761,676	91,622	34,500
Transfers out	(17,109)	-	-	-
Net cash provided by noncapital financing activities	<u>574,414</u>	<u>761,676</u>	<u>91,622</u>	<u>34,500</u>
<b>Cash flows from capital and related financing activities</b>				
Proceeds from sale of capital assets	2,300	7,300	-	-
Acquisition of capital assets	(40,558)	(506,733)	-	-
Capital contributions received	33,600	437,280	-	-
Principal paid on bonds	-	(50,000)	-	-
Interest paid on bonds	-	(52,610)	-	-
Net cash used for capital and related financing activities	<u>(4,658)</u>	<u>(164,763)</u>	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Interest and dividends	-	-	1,004	18,321
Net increase (decrease) in cash and cash equivalents	39,040	1,731	(66,434)	(155,292)
Cash and cash equivalents:				
Beginning of year	<u>125,324</u>	<u>12,933</u>	<u>74,782</u>	<u>1,332,757</u>
<b>End of year</b>	<u><u>\$ 164,364</u></u>	<u><u>\$ 14,664</u></u>	<u><u>\$ 8,348</u></u>	<u><u>\$ 1,177,465</u></u>



<b>Potter Park Zoo</b>	<b>Totals</b>
\$ 558,654	\$ 5,596,948
(853,678)	(3,980,947)
<u>(1,439,050)</u>	<u>(4,843,146)</u>
<u>(1,734,074)</u>	<u>(3,227,145)</u>
1,711,223	3,190,544
<u>-</u>	<u>(17,109)</u>
<u>1,711,223</u>	<u>3,173,435</u>
-	9,600
(6,699)	(553,990)
-	470,880
-	(50,000)
<u>-</u>	<u>(52,610)</u>
<u>(6,699)</u>	<u>(176,120)</u>
<u>-</u>	<u>19,325</u>
(29,550)	(210,505)
<u>231,794</u>	<u>1,777,590</u>
<u>\$ 202,244</u>	<u>\$ 1,567,085</u>

continued...

**City of Lansing**  
Combining Statement of Cash Flows (concluded)  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2005

	<u>Cemetery</u>	<u>Golf</u>	<u>Garbage and Rubbish Collection</u>	<u>Recycling</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ (572,233)	\$ (463,863)	\$ (99,506)	\$ (226,001)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation expense	31,553	124,890	-	22,548
Changes in assets and liabilities:				
Accounts receivable	500	(5,576)	(64,157)	(10,568)
Inventory	2,595	7,302	9,863	-
Accounts payable	2,516	(5,792)	(13,082)	(16,484)
Accrued interest payable	-	(600)	-	-
Accrued payroll	286	(3,443)	936	2,612
Due to other funds	-	(632,814)	-	-
Interfund payable	-	391,227	-	-
Deferred revenues	-	(2,460)	5,718	-
Compensated absences	4,067	(4,053)	1,168	19,780
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ (530,716)</u></u>	<u><u>\$ (595,182)</u></u>	<u><u>\$ (159,060)</u></u>	<u><u>\$ (208,113)</u></u>

<b>Potter Park Zoo</b>	<b>Totals</b>
\$ (2,132,289)	\$ (3,493,892)
386,943	565,934
-	(79,801)
-	19,760
5,922	(26,920)
-	(600)
221	612
-	(632,814)
-	391,227
-	3,258
<u>5,129</u>	<u>26,091</u>
<u><u>\$ (1,734,074)</u></u>	<u><u>\$ (3,227,145)</u></u>

## **Internal Service Funds**

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**Public Service Garage Fund** – This fund accounts for the costs of operating a maintenance facility for trucks and equipment used by the Public Service Department.

**Health Care Self Funding** – This fund accounts for the costs of the City's self-funded health insurance benefits.

**City of Lansing**  
Combining Statement of Net Assets  
Internal Service Funds  
June 30, 2005

	<b>Public Services Garage</b>	<b>Health Care Self Funding</b>	<b>Totals</b>
<b>Assets</b>			
Current assets:			
Equity in pooled cash	\$ 396,226	\$ -	\$ 396,226
Receivables:			
Accounts, net	-	1,693,597	1,693,597
Inventories	232,614	-	232,614
Prepays	-	467,013	467,013
Due from other funds	-	10,000	10,000
Interfund receivable	3,786,131	-	3,786,131
Restricted assets:			
Cash and cash equivalents	21,440	-	21,440
Accrued interest receivable	49	-	49
Total current assets	<u>4,436,460</u>	<u>2,170,610</u>	<u>6,607,070</u>
Noncurrent assets:			
Bond issue costs	6,975	-	6,975
Capital assets, net	<u>4,605,265</u>	<u>-</u>	<u>4,605,265</u>
Total non-current assets	<u>4,612,240</u>	<u>-</u>	<u>4,612,240</u>
Total assets	<u>9,048,700</u>	<u>2,170,610</u>	<u>11,219,310</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	51,268	-	51,268
Accrued interest payable	27,107	-	27,107
Accrued payroll	23,175	-	23,175
Other	-	1,157,155	1,157,155
Current portion of:			
Long-term debt	110,000	-	110,000
Compensated absences	<u>58,142</u>	<u>-</u>	<u>58,142</u>
Total current liabilities	<u>269,692</u>	<u>1,157,155</u>	<u>1,426,847</u>
Noncurrent liabilities:			
Long-term debt, net of current portions	1,410,000	-	1,410,000
Compensated absences	<u>54,478</u>	<u>-</u>	<u>54,478</u>
Total non-current liabilities	<u>1,464,478</u>	<u>-</u>	<u>1,464,478</u>
Total liabilities	<u>1,734,170</u>	<u>1,157,155</u>	<u>2,891,325</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,065,133	-	3,065,133
Restricted for debt retirement	21,489	-	21,489
Unrestricted	<u>4,227,908</u>	<u>1,013,455</u>	<u>5,241,363</u>
Total net assets	<u>\$ 7,314,530</u>	<u>\$ 1,013,455</u>	<u>\$ 8,327,985</u>

**City of Lansing**  
Combining Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2005

	<b>Public Services Garage</b>	<b>Health Care Self Funding</b>	<b>Totals</b>
<b>Operating revenues</b>			
Charges for services	\$ 3,781,366	\$ 9,512,857	\$ 13,294,223
<b>Operating expenses</b>			
Personal services	1,233,426	-	1,233,426
Purchase of goods and services	955,063	8,499,402	9,454,465
Depreciation	880,781	-	880,781
Total operating expenses	3,069,270	8,499,402	11,568,672
Operating income (loss)	712,096	1,013,455	1,725,551
<b>Nonoperating revenues (expenses)</b>			
Interest revenue	407	-	407
Gain on sale of capital assets	29,998	-	29,998
Interest expense and fees	(85,065)	-	(85,065)
Amortization of bond issue costs	(654)	-	(654)
Total nonoperating expenses	(55,314)	-	(55,314)
Change in net assets	656,782	1,013,455	1,670,237
Net assets, beginning of year	6,657,748	-	6,657,748
<b>Net assets, end of year</b>	<u><u>\$ 7,314,530</u></u>	<u><u>\$ 1,013,455</u></u>	<u><u>\$ 8,327,985</u></u>

**City of Lansing**  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2005

	<b>Public Services Garage</b>	<b>Health Care Self Funding</b>	<b>Totals</b>
<b>Cash flows from operating activities</b>			
Cash received from interfund services	\$ 3,781,331	\$ 7,819,260	\$ 11,600,591
Cash payments for goods and services	(4,715,087)	680,142	(4,034,945)
Cash payments to employees	(1,233,426)	(8,499,402)	(9,732,828)
Net cash provided by (used for) operating activities	(2,167,182)	-	(2,167,182)
<b>Cash flows from capital and related financing activities</b>			
Proceeds from sale of capital assets	29,998	-	29,998
Acquisition and construction of capital assets	(91,165)	-	(91,165)
Principal paid on revenue and general obligation bonds	(105,000)	-	(105,000)
Interest paid on revenue and general obligation bonds	(85,065)	-	(85,065)
Net cash provided by (used for) capital and related financing activities	(251,232)	-	(251,232)
<b>Cash flows from investing activities</b>			
Interest and dividends	407	-	407
Net increase (decrease) in cash and cash equivalents	(2,418,007)	-	(2,418,007)
Cash and cash equivalents, beginning of year	2,835,673	-	2,835,673
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 417,666</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 417,666</u></u>

continued...

**City of Lansing**  
Combining Statement of Cash Flows (concluded)  
Internal Service Funds  
For the Year Ended June 30, 2005

	<u>Public Services Garage</u>	<u>Health Care Self Funding</u>	<u>Totals</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>			
<b>Operating income (loss)</b>	\$ 712,096	\$ 1,013,455	\$ 1,725,551
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation expense	880,781	-	880,781
Change in:			
Accounts receivable	-	(1,693,597)	(1,693,597)
Accrued interest receivable	(35)	-	(35)
Inventories	22,010	-	22,010
Prepays	-	(467,013)	(467,013)
Due from other funds	-	(10,000)	(10,000)
Interfund receivable	(3,786,131)	-	(3,786,131)
Accounts payable	(3,935)	-	(3,935)
Accrued interest payable	(1,872)	-	(1,872)
Accrued payroll	4,759	-	4,759
Other	-	1,157,155	1,157,155
Compensated absences	5,145	-	5,145
Total adjustments	<u>(2,879,278)</u>	<u>(1,013,455)</u>	<u>(3,892,733)</u>
Net cash provided by (used for) operating activities	<u>\$ (2,167,182)</u>	<u>\$ -</u>	<u>\$ (2,167,182)</u>



## **Agency Funds**

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**Bail Bonds Fund** – This fund is used to hold cash received by the District Court for bail bonds.

**Garnishment, Indemnity Bond and Restitution Fund** – This fund is used to hold cash received by the District Court for garnishment payments until claimed, and to hold indemnity bonds deposited relating to civil disputes until the Court rules on the case.

**City of Lansing**  
Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2005

	<b>54-A District Court</b>		
	<b>Bail Bonds</b>	<b>Garnishment, Indemnity Bond and Restitution</b>	<b>Totals</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 65,000	\$ 15,000	\$ 80,000
Equity in pooled cash	209,417	14,092	223,509
Total assets	<u>\$ 274,417</u>	<u>\$ 29,092</u>	<u>\$ 303,509</u>
<b>Liabilities</b>			
Undistributed receipts	<u>\$ 274,417</u>	<u>\$ 29,092</u>	<u>\$ 303,509</u>

**City of Lansing**  
Combining Statement of Changes in Fiduciary Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2005

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>54-A District Court - Bail Bonds</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 65,000	\$ -	\$ -	\$ 65,000
Equity in pooled cash	<u>250,833</u>	<u>1,349,209</u>	<u>1,390,625</u>	<u>209,417</u>
Total assets	<u>\$ 315,833</u>	<u>\$ 1,349,209</u>	<u>\$ 1,390,625</u>	<u>\$ 274,417</u>
<b>Liabilities</b>				
Undistributed receipts	<u>\$ 315,833</u>	<u>\$ 1,349,209</u>	<u>\$ 1,390,625</u>	<u>\$ 274,417</u>
<b>54-A District Court - Garnishment, Indemnity Bond and Restitution</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 15,000	\$ -	\$ -	\$ 15,000
Equity in pooled cash	<u>24,179</u>	<u>158,568</u>	<u>168,655</u>	<u>14,092</u>
Total assets	<u>\$ 39,179</u>	<u>\$ 158,568</u>	<u>\$ 168,655</u>	<u>\$ 29,092</u>
<b>Liabilities</b>				
Undistributed receipts	<u>\$ 39,179</u>	<u>\$ 158,568</u>	<u>\$ 168,655</u>	<u>\$ 29,092</u>
<b>Total - All Agency Funds</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 80,000	\$ -	\$ -	\$ 80,000
Equity in pooled cash	<u>275,012</u>	<u>1,507,777</u>	<u>1,559,280</u>	<u>223,509</u>
Total assets	<u>\$ 355,012</u>	<u>\$ 1,507,777</u>	<u>\$ 1,559,280</u>	<u>\$ 303,509</u>
<b>Liabilities</b>				
Undistributed receipts	<u>\$ 355,012</u>	<u>\$ 1,507,777</u>	<u>\$ 1,559,280</u>	<u>\$ 303,509</u>

# STATISTICAL SECTION

**Table 1**  
**General Government Expenditures by Function - Unaudited**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Highways Streets &amp; Sanitation</b>	<b>Recreation &amp; Forestry</b>	<b>Other Current Operating Functions</b>	<b>Capital Improvements</b>	<b>Debt Service</b>	<b>Total</b>
1996	\$ 38,433,505	\$ 27,466,390	\$ 1,644,852	\$ 5,301,870	\$ 2,175,199	\$ 949,790	\$ 5,522,414	\$ 81,494,020
1997	41,324,182	29,020,008	1,912,124	5,357,320	2,149,177	-	4,682,986	84,445,797
1998	42,830,367	30,717,779	1,891,131	5,631,947	2,152,265	-	4,414,774	87,638,263
1999	45,468,182	30,969,168	1,963,583	5,731,151	2,103,340	-	4,605,066	90,840,490
2000	46,560,643	32,540,064	1,941,559	5,970,697	2,189,257	-	4,888,861	94,091,081
2001	45,820,100	30,320,012	2,088,520	5,855,827	2,354,102	-	5,526,209	91,964,770
2002	46,621,310	31,425,523	2,069,940	6,108,158	2,395,721	-	5,159,772	93,780,424
2003	50,823,368	32,069,212	1,960,101	6,221,089	2,531,310	-	2,996,819	96,601,899
2004	51,022,462	32,742,214	2,035,744	6,042,375	2,559,118	-	3,174,441	97,576,354
2005	53,176,242	32,633,778	2,206,726	5,333,016	2,613,502	-	3,106,821	99,070,085

NOTE: This statement includes expenditures reported in the General Fund and Debt Service Funds.

**Table 2**  
**General Government Revenues by Source - Unaudited**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>Taxes and Special Assessments</b>	<b>Licenses and Permits</b>	<b>Inter- Governmental</b>	<b>Charges for Services</b>	<b>Fines and Forfeits</b>	<b>Interest</b>	<b>Contributions</b>	<b>Miscellaneous</b>	<b>Total</b>
1996	\$ 51,870,546	\$ 1,469,071	\$ 18,429,686	\$ 7,573,660	\$ 2,812,087	\$ 1,688,707	\$ 6,340,387	\$ 331,939	\$ 90,516,083
1997	53,170,786	1,302,672	21,220,828	7,946,618	3,103,904	1,902,485	6,187,762	114,743	94,949,798
1998	53,295,737	1,655,243	19,986,784	8,791,357	3,306,649	2,042,915	6,253,764	99,073	95,431,522
1999	55,600,921	2,261,113	20,093,935	9,696,473	3,606,791	1,825,471	6,447,022	118,091	99,649,817
2000	57,080,136	2,777,274	21,594,707	10,145,040	3,910,984	1,628,910	6,548,556	468,551	104,154,158
2001	57,319,659	645,087	22,180,479	7,475,021	3,578,632	1,267,015	6,716,768	357,476	99,540,137
2002	60,442,894	976,332	21,202,213	8,651,949	4,050,234	643,190	7,542,754	250,277	103,759,843
2003	62,378,892	925,455	19,435,110	9,257,508	4,696,311	523,619	8,893,208	169,836	106,279,939
2004	62,108,536	814,990	17,726,534	9,544,059	4,064,161	220,396	8,718,450	157,895	103,355,021
2005	63,276,934	791,655	17,490,160	9,950,210	3,871,724	381,854	8,956,291	187,416	104,906,244

NOTE: This statement includes revenues reported in the General Fund and Debt Service Funds.

**Table 3**  
**Property Tax Levies and Collections – Unaudited**  
**Last Ten Fiscal Years**

<b>June 30</b>	<b>Property Tax Levy</b>	<b>Current Tax Collection</b>	<b>Percent of Levy Collected</b>	<b>(1) Delinquent Tax Collection</b>	<b>Total Tax Collection</b>	<b>Collections as a Percent of Levy</b>
1996	\$ 31,549,341	\$ 31,495,388	99.83%	\$ 19,546	\$ 31,514,934	99.89%
1997	33,626,394	33,561,067	99.81%	11,500	33,572,567	99.84%
1998	33,360,681	33,269,198	99.73%	(402)	33,268,796	99.72%
1999	34,984,481	34,887,287	99.72%	70,749	34,958,036	99.92%
2000	35,027,907	34,886,808	99.60%	48,074	34,934,882	99.73%
2001	35,547,497	35,330,288	99.39%	18,522	35,348,810	99.44%
2002	36,357,748	36,208,985	99.59%	59,625	36,268,610	99.75%
2003	37,310,656	37,041,662	99.28%	(97,842)	36,943,820	99.02%
2004	38,267,514	37,826,436	98.85%	58,255	37,884,691	99.00%
2005	40,051,303	39,429,093	98.45%	137,727	39,566,820	98.79%

(1) Net of chargebacks from the County Tax Revolving Funds for taxes still delinquent after three years.

**Table 4**  
**Assessed and Market Value of Taxable Property – Unaudited**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ending June 30</b>	<b>Real Property Valuation</b>	<b>Personal Property Valuation</b>	<b>Total Assessed Valuation</b>	<b>Market Value</b>
1996	\$ 1,397,575,065	\$ 256,327,150	\$ 1,653,902,215	\$ 3,419,995,740
1997	1,467,989,483	286,476,195	1,754,465,678	3,508,931,356
1998	1,514,616,050	313,545,380	1,828,161,430	3,656,322,860
1999	1,593,000,290	330,098,200	1,923,098,490	3,846,196,980
2000	1,697,114,303	354,475,087	2,051,589,390	4,103,178,780
2001	1,814,591,830	305,623,290	2,120,215,120	4,240,430,240
2002	2,079,145,930	289,408,415	2,368,554,345	4,737,108,690
2003	2,247,479,770	304,627,500	2,552,107,270	5,104,214,540
2004	2,438,968,070	287,439,600	2,726,407,670	5,452,815,340
2005	2,598,383,867	288,421,700	2,886,805,567	5,773,611,134

NOTE: Includes equivalent value of tax abated properties.

Source: City Assessor's Office.



**Table 5**  
**Property Tax Rates - Direct and Overlapping Governments (1) (2) – Unaudited**  
**(Per \$1,000 of Assessed Value)**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>Tax Year</b>	<b>Operating Millage</b>	<b>Debt Service Millage</b>	<b>Total City Millage</b>	<b>County Millage</b>	<b>School Millage</b>	<b>State Education</b>	<b>Community College Millage</b>	<b>(3) Other Millage</b>	<b>Total</b>
1996	1995	15.04	2.36	17.40	7.67	19.72	6.00	2.94	6.07	59.80
1997	1996	15.04	2.36	17.40	7.55	19.90	6.00	2.94	6.06	59.85
1998	1997	15.04	2.06	17.10	7.61	18.88	6.00	2.94	7.43	59.96
1999	1998	15.04	2.06	17.10	7.61	18.94	6.00	2.94	7.41	60.00
2000	1999	14.90	2.06	16.96	7.61	19.52	6.00	2.92	7.36	60.37
2001	2000	14.90	2.06	16.96	7.61	19.04	6.00	2.92	7.62	60.15
2002	2001	14.40	2.06	16.46	7.61	19.10	6.00	3.89	7.59	60.65
2003	2002	14.90	1.03	15.93	8.11	19.01	6.00	3.87	8.34	61.26
2004	2003	14.90	1.03	15.93	8.11	19.06	5.00	3.85	8.89	60.84
2005	2004	14.90	.98	15.88	8.10	20.65	6.00	3.84	8.83	63.30

Notes: (1) Rates for Ingham County and Lansing School District only.  
(2) Since 1995 this is the Non-homestead rate.  
(3) Includes Intermediate School, Airport Authority, Capital Area Transit Authority and Capital Area District Library (began in FY 98).

**Table 6**  
**Special Assessment Billings and Collections - Unaudited**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>Special Assessment Billings</b>	<b>Special Assessments Collected</b>
1996	\$ 182,457	\$ 217,693
1997	16,411	181,325
1998	438,683	169,916
1999	96,655	132,948
2000	665,430	244,182
2001	271,452	327,471
2002	(103,940)	92,036
2003	503,740	172,666
2004	(97,933)	317,003
2005	394,664	221,729

Note: Capital project assessments only. Does not include annual maintenance assessments.

**Table 7**  
**Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita - Unaudited**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>Population(1)</b>	<b>Assessed Value(3)</b>	<b>Gross Bonded Debt(2)</b>	<b>Debt Service Monies Available</b>	<b>Debt Payable From Enterprise Revenues &amp; Special Assessments</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt per Capita</b>
1996	127,400	\$ 1,653,902,215	\$ 115,803,602	\$ 1,375,679	\$ 50,880,306	\$ 63,547,617	0.0384	\$ 499
1997	127,400	1,754,465,678	118,363,721	1,517,293	53,404,646	63,441,782	0.0362	498
1998	127,400	1,828,161,430	123,443,265	1,206,355	56,970,391	65,266,519	0.0357	512
1999	127,400	1,923,098,490	121,478,788	992,002	77,835,655	42,651,131	0.0222	335
2000	127,400	2,051,589,390	128,099,643	865,317	86,471,510	40,762,816	0.0199	320
2001	119,128	2,120,215,120	128,819,227	266,393	93,171,094	35,381,740	0.0167	297
2002	119,128	2,368,554,345	135,999,133	28,496	102,232,751	33,737,886	0.0142	283
2003	119,128	2,552,107,270	140,043,000	7,524	110,419,899	29,615,577	0.0116	249
2004	119,128	2,726,407,670	166,581,000	42,852	145,505,724	21,032,424	0.0077	177
2005	119,128	2,886,805,567	163,359,858	4,400	150,039,858	13,315,600	0.0046	112

NOTE:

- (1) Population per decennial census by the U.S. Census Bureau.
- (2) Includes all general obligation debt and special assessment debt with governmental obligation.
- (3) The tax assessment day is December 31 prior to beginning of fiscal year.

**Table 8**  
**Computation of Legal Debt Margin - Unaudited**  
**June 30, 2005**

Assessed value, real and personal property (1)	\$	2,896,454,450	
Assessed value equivalents (2)		<u>131,656,600</u>	
Total valuation	\$	<u>3,028,111,050</u>	
Legal debt margin			
Debt limitation - 10 percent of total valuation	\$	302,811,105	
Debt applicable to limitations			
Total bonded debt	\$	215,203,201	
Less			
Special assessment bonds		35,000	
Sewage Disposal revenue bonds		51,611,657	
CSO bonds		87,669,785	
Amounts available for repayment of debt		<u>4,400</u>	
Total debt applicable to limitation		<u>75,882,359</u>	
Legal debt margin	\$	<u>226,928,746</u>	

(1) At 12/31/04, for taxes to be levied 7/1/05.

(2) Per state statute, calculated by dividing the sum of the following amounts by the city's millage rate:

- a. The amount levied by the city for its own use during the city's fiscal year from the specific tax levied under Act No. 198 of the Public Acts of 1974.
- b. The amount levied by the city for its own use during the city's fiscal year from the specific tax levied under Act No. 255 of the Public Acts of 1978.

**Table 9**  
**Computation of Direct and Overlapping Bonded Debt – Unaudited**  
**General Obligation Bonds**  
**June 30, 2005**

<b>Name of Governmental Unit</b>	<b>Net General Obligation Bonded Debt Outstanding</b>	<b>% Applicable to City</b>	<b>Amount Applicable to City</b>
Direct - City	\$ 20,233,733 (1)	100.00%	<u>\$ 20,233,733</u>
Overlapping			
Eaton Intermediate School District	1,955,000	0.55%	\$ 10,753
Waverly School District	45,305,000	0.25%	113,263
Lansing School District	75,530,000	86.46%	65,303,238
East Lansing School District	84,076,970	4.52%	3,800,279
Holt School District	111,667,257	3.06%	3,417,018
Ingham Intermediate School District	-	27.74%	-
Ingham County	35,051,293	31.84%	11,160,332
Eaton County	12,873,749	1.92%	247,176
Lansing Community College	59,915,000	23.38%	14,008,127
Okemos School District	44,207,000	2.73%	1,206,851
Grand Ledge	52,970,000	1.10%	582,670
Total Overlapping Debt			<u>99,849,706</u>
Total Direct and Overlapping Debt			<u>\$ 120,083,439</u>

(1) Excluding general obligation bonds reported in the enterprise funds, special assessment debt with government commitment and amount available for repayment in the debt service

**Table 10**  
**Ratio of Annual Debt Service for General Obligation Bonded**  
**Debt (1) to Total General Governmental Expenditures - Unaudited**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>Principal</b>	<b>Interest(2)</b>	<b>Total Debt Service</b>	<b>Total General(3) Governmental Expenditures</b>	<b>Ratio Debt Service To General Governmental Expenditures (Percent)</b>
1996	\$ 2,125,000	\$ 2,769,749	\$ 4,894,749	\$ 81,494,020	6.01%
1997	2,275,000	1,261,735	3,536,735	84,445,797	4.19%
1998	2,665,000	1,345,248	4,010,248	87,638,263	4.58%
1999	2,850,000	1,259,893	4,109,893	90,840,490	4.52%
2000	3,195,000	1,165,861	4,360,861	94,091,081	4.63%
2001	3,780,000	1,056,686	4,836,686	91,964,770	5.26%
2002	3,460,000	1,030,825	4,490,825	93,780,424	4.79%
2003	1,440,000	871,345	2,311,345	96,601,899	2.39%
2004	1,510,000	806,248	2,316,248	97,584,514	2.37%
2005	1,580,000	736,820	2,316,820	99,070,085	2.34%

(1) General obligation bonds reported in the enterprise and special revenue funds and special assessment debt with government commitment have been excluded.

(2) Excludes bond issuance and other costs.

(3) Includes general and debt service funds.

**Table 11A**  
**Schedule of Bond Coverage – Unaudited**  
**Municipal Parking System Fund Bonds (4)**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Gross Revenue	(2) Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage (1)
		Principal		Interest	Total		
1996	\$ 6,574,366	\$ 3,396,481	\$ 3,177,885	\$ 465,000	\$ 1,600,543	\$ 2,065,543	1.54
1997	7,031,243	3,329,415	3,701,828	595,000	1,402,952	1,997,952	1.85
1998	6,848,019	3,257,757	3,590,262	625,000	1,373,545	1,998,545	1.80
1999	7,085,473	3,597,530	3,487,943	655,000	1,258,195	1,913,195	1.82
2000	7,490,165	3,993,315	3,496,850	690,000	1,143,550	1,833,550	1.91
2001	8,029,967	3,773,187	4,256,780	720,000	1,109,988	1,829,988	2.33
2002	7,763,065	3,750,268	4,012,797	755,000	1,073,858	1,828,858	2.19
2003	7,642,684	3,667,542	3,975,142	795,000	1,035,228	1,830,228	2.17
2004	7,504,144	3,872,290	3,631,854	835,000	1,762,629	2,597,629	1.40
2005	7,728,468	4,018,913	3,709,555	880,000	1,927,704	2,807,704	1.32

(1) Coverage is defined as net revenue available for debt service divided by debt service requirements.

(2) Operating expenses less depreciation.

(3) Debt service payments are budgeted and expended within the Parking System. These bonds also carry a limited tax general obligation pledge.

**Table 11B**  
**Schedule of Revenue Bond Coverage – Unaudited**  
**Sewage Disposal System Fund Revenue Bond**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Gross Revenue	(B) Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage(A)
		Principal		Interest	Total		
1996	\$ 20,137,924	\$ 10,113,705	\$ 10,024,219	\$ 2,100,000	\$ 2,750,865	\$ 4,850,865	2.07
1997	20,867,394	10,004,525	10,862,869	2,235,000	2,624,340	4,859,340	2.24
1998	21,107,381	9,996,022	11,111,359	2,370,000	2,492,280	4,862,280	2.29
1999	21,623,804	10,528,286	11,095,518	2,180,000	1,656,475	3,836,475	2.89
2000	24,193,795	10,574,104	13,619,691	3,065,000	1,976,600	5,041,600	2.70
2001	25,841,763	10,592,681	15,249,082	3,190,000	1,854,090	5,044,090	3.02
2002	26,963,775	11,209,711	15,754,064	3,320,000	1,723,253	5,043,253	3.12
2003	26,196,518	11,543,509	14,653,009	3,475,000	1,723,253	5,198,253	2.82
2004	26,601,646	12,775,001	13,826,645	3,715,000	1,786,328	5,501,328	2.51
2005	27,595,244	12,362,109	15,233,135	3,665,000	2,439,963	6,104,963	2.50

(A) Coverage is defined as net revenue available for debt service divided by debt service requirements exclusive of general obligation debt.

(B) Operating expenses less depreciation.



**Table 12**  
**Demographic Statistics - Unaudited**  
**Last Ten Fiscal Years**

<b>Year</b>	<b>Population(1)</b>	<b>Median Age(2)</b>	<b>School Enrollment(3)</b>	<b>Unemployment % Rate(4)</b>	<b>Labor Force(4)</b>
1996	127,400	31.16	19,267	4.9	64,325
1997	127,400	31.40	20,013	2.9	66,275
1998	127,400	31.64	19,049	4.1	66,425
1999	127,400	31.88	18,443	4.2	66,550
2000	119,100	31.40	17,836	4.7	68,300
2001	119,100	31.56	17,586	4.5	67,725
2002	119,100	31.72	17,490	5.6	67,700
2003	119,100	31.88	17,600	6.7	65,325
2004	119,100	31.96	16,927	7.0	63,750
2005	119,100	32.00	16,201	9.0	68,041

(1) Population per decennial census by the U.S. Census Bureau.

(2) 2000 data from U.S. Census Bureau. Data for other years estimated by City of Lansing Finance Department.

(3) Annual school census from the Lansing School District.

Figures included private school enrollment thru 1993; information no longer available.

(4) Michigan Department of Career Development: Employment Service Agency - Labor Market Information.

**Table 13**  
**Property Value and Construction - Unaudited**  
**Last Ten Fiscal Years**

Fiscal Year	Commercial Construction(1)		Residential Construction(1)		Non-Taxable Construction(1)		Property Value*(2)	
	Number of Units	Value	Number of Units	Value	Number of Units	Value	Commercial	Residential
1996	155	\$ 26,662,518	60	\$ 6,790,675	2	\$ 31,700,800	\$1,667,979,400	\$ 1,752,016,340
1997	**	**	**	**	**	**	1,706,111,856	1,802,819,500
1998	284	71,145,105	43	11,040,108	2	972,473	1,773,967,600	1,882,355,200
1999	280	128,740,243	74	21,090,617	10	8,937,703	1,848,569,600	2,003,271,800
2000	246	247,879,211	67	19,928,424	7	3,305,000	1,990,006,580	2,113,172,200
2001	247	70,161,126	40	8,525,127	8	5,802,000	2,001,607,380	2,238,822,860
2002	235	30,765,104	85	16,498,209	16	8,778,098	2,360,109,190	2,376,999,500
2003	311	61,909,724	53	20,530,387	10	3,124,000	2,525,357,440	2,578,857,100
2004	332	102,849,308	76	12,097,433	16	6,828,800	2,602,349,140	2,850,466,200
2005	386	106,274,685	91	28,043,927	15	36,637,638	2,643,581,600	3,130,049,534

**SOURCE:**

(1) City of Lansing Building Office.

(2) City of Lansing Assessor.

\*Estimated actual value (non-taxable property values unavailable; not required by State of Michigan).

\*\*Not available.

NOTE: Construction value includes additions and alterations to existing structures.

**Table 14**  
**Principal Taxpayers - Unaudited**  
**June 30, 2005**

<b>Taxpayer</b>	<b>Total Assessed Valuation</b>	<b>Percentage of Total Assessed Valuation</b>
General Motors	\$ 205,695,700	6.79%
Jackson National Life Insurance Company	32,974,000	1.09%
525 Redevco Inc	27,168,700	0.90%
Capitol Outlook LLC	23,943,900	0.79%
Consumers Energy	22,446,500	0.74%
Lansing Retail Center LLC	16,317,300	0.54%
Accident Fund Company	14,265,700	0.47%
Sprint Spectrum L.P.	14,089,100	0.47%
Trappers Cove LTD Partners	13,198,200	0.44%
Heart of the City Assoc	11,274,600	0.37%

Includes equivalent value (tax divided by tax rate) of property granted tax relief.

**Table 15**  
**Miscellaneous Statistics - Unaudited**  
**June 30, 2005**

Date of Incorporation	1859
Form of government	Council-Mayor
Number of employees (excluding Police & Fire)	
Union	729
Non-union	77
Area in square miles	34.68
Facilities and Services	
Miles of streets	409.89
Culture and Recreation:	
Parks	114
Parks acreage	2219.63
Golf Courses	4
Golf Course acreage	318
Fire Protection	
Number of stations	9
Number of firefighters (sworn)	230
Police Protection	
Number of stations	3
Number of officers	256
Sewage System	
Miles of sanitary sewers	338
Miles of storm sewers	217
Miles of combined sewers	208

**Table 16**  
**Water Consumption by User Classification – Unaudited**  
**Fiscal Years Ended June 30, 1996 through 2005**

<b>Fiscal Year</b>	<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Total Water Consumption CCF</b>	<b>Percentage Change(1)</b>
1996	3,065,508	2,771,980	776,037	6,613,525	1.49%
1997	3,019,529	2,715,153	958,093	6,692,775	1.20%
1998	3,012,012	2,661,809	754,084	6,427,905	-3.96%
1999	2,864,687	2,605,759	575,362	6,045,808	-5.94%
2000	2,764,510	2,543,847	546,830	5,855,187	-3.15%
2001	2,675,050	2,463,041	592,603	5,730,694	-2.13%
2002	2,674,901	2,453,988	709,225	5,838,114	1.87%
2003	2,686,170	2,500,847	724,622	5,911,639	1.26%
2004	2,628,378	2,560,232	622,765	5,811,375	-1.70%
2005	2,539,215	2,435,652	422,934	5,397,801	-7.12%

(1) Water consumption declined in certain years because:

- a. Rainfall was higher than normal thereby reducing water use for lawn sprinkling by residential and commercial customers.
- b. Industrial customers are increasingly recycling their water in an effort to reduce the cost of complying with pretreatment requirements.

**Table 17****Percentage of Water Consumption by User Classification - Unaudited  
Fiscal Years Ended June 30, 1996 through 2005**

<b>Fiscal Year</b>	<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Total</b>
1996	46.50%	40.40%	13.10%	100.00%
1997	46.40%	41.90%	11.70%	100.00%
1998	45.10%	40.60%	14.30%	100.00%
1999	47.40%	43.10%	9.50%	100.00%
2000	47.20%	43.40%	9.40%	100.00%
2001	46.70%	43.00%	10.30%	100.00%
2002	45.80%	42.00%	12.20%	100.00%
2003	45.40%	42.30%	12.30%	100.00%
2004	45.20%	44.10%	10.70%	100.00%
2005	47.04%	45.12%	7.84%	100.00%

**Table 18**  
**Ten Largest System Customers by Water Consumption - Unaudited**  
**Fiscal Year Ended June 30, 2005**

<b>Customer</b>	<b>Principal Product or Service</b>	<b>Water Consumption (CCF)</b>
GM-NOA-LAD	Automotive	372,302
City of Lansing	Government Offices	172,575
State of Michigan	Government Offices	116,471
Ingham Regional Medical Center	Hospital	83,658
Sparrow Hospital	Hospital	83,164
Frandonson Properties	Property Management	62,599
DTN Management	Property Management	57,718
Bioport	Pharmaceuticals	56,489
Lansing Housing Commission	Housing	53,880
Lansing School District	Education	48,117

**CITY OF LANSING,  
MICHIGAN**

**SINGLE AUDIT**

**For the Year Ended June 30, 2005**



**REHMANN ROBSON**

*Certified Public Accountants*



**CITY OF LANSING, MICHIGAN**  
**Single Audit**

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**For the Year Ended June 30, 2005**

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**CITY OF LANSING, MICHIGAN**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2005**

<b>Federal/Pass-through Grantor Program Title</b>	<b>CFDA Number</b>	<b>Federal/ Pass-through Grantor Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>			
Direct programs:			
Community Development Block Grant:			
2002 Entitlement	14.218	B-02-MC-26-0025	\$ 633,478
2003 Entitlement	14.218	B-03-MC-26-0025	256,990
2004 Entitlement	14.218	B-04-MC-26-0025	2,003,458
Total Community Development Block Grant			<u>2,893,926</u>
Emergency Shelter:			
2003 Grant	14.231	S-03-MC-26-0025	37,603
2004 Grant	14.231	S-04-MC-26-0025	55,186
Total Emergency Shelter Grant			<u>92,789</u>
Supportive Housing Program:			
Advent House - 02/05	14.235	MI28B10-8002	191,622
Ballentine - 04/07	14.235	MI28B20-8002	61,362
Gateway Community Services - 01/04	14.235	MI28B00-8005	13,274
Gateway Community Services - 04/07	14.235	MI28B30-8005	47,305
Haven House - 01/04	14.235	MI28B00-8001	49,567
Haven House - 05/08	14.235	MI28B30-8003	9,956
C.A.C.S - 03/06	14.235	MI28B20-8001	330,084
Greater Lansing Housing Coalition - 03/06	14.235	MI28B10-8001	136,671
Salvation Army - 04/07	14.235	MI28B30-8004	100,693
Salvation Army - 05/07	14.235	MI28B30-8001	65,282
Volunteers of America - 00/03	14.235	MI28B90-8001	78,585
H.M.I.S. - 03/06	14.235	MI28B20-8002	22,611
Total Supportive Housing Program			<u>1,107,012</u>
Home Investment Partnerships Program:			
2000 Grant Year	14.239	M-00-MC-26-0208	15,649
2001 Grant Year	14.239	M-01-MC-26-0208	84,714
2002 Grant Year	14.239	M-02-MC-26-0208	6,130
2003 Grant Year	14.239	M-03-MC-26-0208	570,117
2004 Grant Year	14.239	M-04-MC-26-0208	338,272
Total Home Investment Partnerships Program			<u>1,014,882</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>5,108,609</u>
<b>U.S. Department of Justice</b>			
Direct programs:			
Local Law Enforcement Block Grant:			
2002 Grant Year	16.592	2002-LB-BX-2219	8,025
2004 Grant Year	16.592	2004-LB-BX-0860	81,224
Total Local Law Enforcement Block Grant			<u>89,249</u>
COPS - Project Safe Neighborhoods: Program year 2002/03	16.609	2003-GP-CX-0145	<u>120,156</u>

(continued...)

**CITY OF LANSING, MICHIGAN**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2005**

<b>Federal/Pass-through Grantor Program Title</b>	<b>CFDA Number</b>	<b>Federal/ Pass-through Grantor Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Justice (continued)</b>			
Passed-through the State of Michigan Family Independence Agency:			
Juvenile Accountability Incentive Block Grant 2004/2005	16.523	JAIBG04-33003	\$ 63,726
Juvenile Accountability Block Grant 2005/2006	16.523	JAIBG-05-33003	21,421
Total passed-through the State of Michigan Family Independence Agency			<u>85,147</u>
Passed-through the State of Michigan Department of Community Health:			
Capital Area Response Effort - Year Eight	16.575	CVA20457-7V02	39,029
Capital Area Response Effort - Year Nine	16.575	CVA20457-8V03	91,205
Metro Conspiracy Investigations	16.579	OJC70901-4-03-B	101,107
Metro Conspiracy Investigations	16.579	OJC70901-5-04-B	214,162
School Resource Strategies	16.579	OJC70985-3-03-B	21,775
School Resource Strategies	16.579	OJC70985-4-04-B	46,684
Total passed-through the State of Michigan Department of Community Health			<u>513,962</u>
<b>Total U.S. Department of Justice</b>			<u>808,514</u>
<b>U.S. Department of Transportation</b>			
Passed-through the State of Michigan Department of Transportation:			
Pennsylvania Avenue Bridge (MDOT 03-5122)	20.205	BFR0333(314)	297,888
Pennsylvania Avenue Bridge (MDOT SIB Loan 273376)	20.205	2004-0809	514,035
High Priority Projects Program (MDOT 99-5316)	20.205	HPP9933(022)	187,926
High Priority Projects Phase II (MDOT 99-5316)	20.205		56,221
Traffic Signal Control Integration	20.205	ITS0333(316)	532,477
Durant Park Arch Restoration (MDOT 03-5596)	20.205	STP0433(305)	64,284
<b>Total U.S. Department of Transportation</b>			<u>1,652,831</u>
<b>Environmental Protection Agency</b>			
Passed-through the State of Michigan Department of Treasury:			
State Revolving Loan Funds (SRF)	66.458		<u>2,527,044</u>
<b>Total Environmental Protection Agency</b>			<u>2,527,044</u>
<b>U.S. Department of Energy</b>			
Passed-through the State of Michigan Department of Labor and Economic Growth:			
AFV Incentive Program	81.041	PLA-00-51	2,300
AFV Incentive Program	81.041	PLA-03-53	<u>3,741</u>
<b>Total U.S. Department of Energy</b>			<u>6,041</u>
<b>Corporation for National and Community Service</b>			
Direct program:			
Volunteers in Service to America VISTA Americorps	94.013	GH01VPNMI010	<u>167,942</u>
<b>Total Corporation for National and Community Service</b>			<u>167,942</u>

(continued...)

**CITY OF LANSING, MICHIGAN**  
**Schedule of Expenditures of Federal Awards (Concluded)**  
**For the Year Ended June 30, 2005**

<b>Federal/Pass-through Grantor Program Title</b>	<b>CFDA Number</b>	<b>Federal/ Pass-through Grantor Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Homeland Security</b>			
Passed-through the State of Michigan Department of State Police:			
State Homeland Security Grant Program (SHSGP)			
2003 State Homeland Security Equipment	97.004		\$ 71,362
2003 Solution Area Planner Grant	97.004		21,256
State Domestic Preparedness Equipment	97.004		50,000
2004 RRTN	97.005		29,010
2003 Training Grant	97.004		77,694
2003 Exercise Grant	97.004		28,356
Assistance to Firefighters	97.044	EMW-2003-FG-15572	121,100
2003 Community Emergency Response Team (CERT)	97.053		1,315
2004 Community Emergency Response Team (CERT)	97.053	MCSC/ODPMCC/F-26/04	11,061
2004 State Homeland Security Program	97.073		69,413
2004 Law Enforcement Terrorism Prevention Program	97.074		34,250
<b>Total U.S. Department of Homeland Security</b>			<b>514,817</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 10,785,798</b>

# CITY OF LANSING, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Lansing, Michigan (the "City"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The City of Lansing reporting entity is defined in Note I of the City's basic financial statements.

The City administers certain federal awards programs through subrecipients. Those subrecipients are not considered part of the City of Lansing reporting entity. Of the federal expenditures presented in the schedule, the City of Lansing provided federal awards to subrecipients as follows:

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Amount Provided to Subrecipients</b>
Community Development Block Grant	14.218	\$ 323,515
Emergency Shelter	14.231	92,789
Supportive Housing Program	14.235	1,029,841
Home Investment Partnership Program	14.239	48,625
Juvenile Accountability Incentive Block Grant	16.523	36,180
Volunteers in Service to America	94.013	<u>39,918</u>
<b>Total</b>		<b><u>\$ 1,570,868</u></b>

\* \* \* \* \*



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**

 *an independent member of*  
**BAKER TILLY**  
INTERNATIONAL

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

November 9, 2005

Honorable Mayor and Members  
of the City Council  
City of Lansing, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Lansing, Michigan*** as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Lansing, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Lansing, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO MAJOR PROGRAMS  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

November 9, 2005

Honorable Mayor and Members  
of the City Council  
City of Lansing, Michigan

**Compliance**

We have audited the compliance of the ***City of Lansing, Michigan*** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2005. The ***City of Lansing, Michigan's*** major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the City of Lansing, Michigan's management. Our responsibility is to express an opinion on the City of Lansing, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal programs occurred. An audit includes examining, on a test basis, evidence about the City of Lansing, Michigan's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Lansing, Michigan's compliance with those requirements.



In our opinion, the City of Lansing, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005.

### **Internal Control Over Compliance**

The management of the City of Lansing, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Lansing, Michigan's internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to major federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lansing, Michigan as of and for the year ended June 30, 2005, and have issued our report thereon dated November 9, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned in the lower right area of the page.

# CITY OF LANSING, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2005

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### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes    X no

Reportable condition(s) identified  
not considered to be material weaknesses?

\_\_\_\_\_ yes    X none reported

Noncompliance material to financial statements  
noted?

\_\_\_\_\_ yes    X no

#### Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes    X no

Reportable condition(s) identified  
not considered to be material weaknesses?

\_\_\_\_\_ yes    X none reported

Type of auditors' report issued on compliance  
for major programs:

Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section 510(a)?

\_\_\_\_\_ yes    X no

# **CITY OF LANSING, MICHIGAN**

## **Schedule of Findings and Questioned Costs (Concluded)**

**For the Year Ended June 30, 2005**

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### **SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)**

Identification of major programs:

<b><u>CFDA Number(s)</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
66.458	Clean Water State Revolving Loan Funds
97.004	State Domestic Preparedness Equipment
97.005	State and Local Homeland Security
	Training Program
97.044	Assistance to Firefighters

Dollar threshold used to distinguish  
between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

  X   yes          no

### **SECTION II – FINANCIAL STATEMENT FINDINGS**

None.

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

### **SECTION IV – PRIOR YEAR FINDINGS**

None

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